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

Date: Friday, 17 April 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**

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.

Governance Officer: *Catherine Ziane-Pryor*
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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

FINANCE AND RESOURCES COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 16 January 2015 from 10.00am to 11.42am

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	-	Observer
Peter Hurford	-	Treasurer to the Authority
Neil Timms	-	Strategic Director of Finance and Resources
Catherine Ziane-Pryor	-	Governance Officer

20 DECLARATIONS OF INTERESTS

None.

21 MINUTES

It is noted that with regard to minute 18, 'Occupational Road Risk' the Road Risk Group Action Plan will be submitted to a future meeting.

RESOLVED for the minutes of the last meeting held on 10 October 2014, to be confirmed and signed by the Chair.

22 APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillors John Clarke (10.06am) and John Allin (10.07am).

23 REVENUE AND CAPITAL MONITORING REPORT TO NOVEMBER 2014

Neil Timms, Strategic Director of Finance and Resources, presented the report which details the financial performance of the Service between 31 March 2014 and 30 November 2014, highlighting key areas where outturn variances are most likely to occur.

The following points are highlighted in the report with a brief explanation of the predicted figures:

(a) the Revenue Budget is £42.9million with an estimated overall variance of 0.67% totalling £290,000;
(b) the net cost of industrial action during 2014/15 is estimated to be £442,000;
(c) the whole time variance to date is £365,000 underspend with an estimated outturn underspend of £245,000;
(d) retained pay is predicted to have an underspend of £244,000;
(e) administrative and support staff pay, £344,000 underspend;
(f) pension strain, has an outturn of £158,000 overspend;
(g) Prince's Trust, £86,000 deficit with an underspend of £33,000;
(h) fleet maintenance has £40,000 of additional maintenance charges to pay;
(i) premises underspend of £37,000;
(j) insurance overspend of £22,000;
(k) supplies and services, £50,000;
(l) support services, overspend of £100,000;
(m) earmarked reserves of £280,000;
(n) depreciation and impairments of £6,000;
(o) capital financing costs underspend of £239,000.

It is noted that the cost of the cost of industrial action is now predicted to be £373,000.

An explanation of the Capital Programme is provided in the report.

RESOLVED to approve the following earmarked reserves:

(i) £200,000 potential costs arising from developments in communications;
(ii) £ 80,000 future ill health charges (top up to pensions reserve);
(iii) £200,000 to support the transition to a joint control room.

24 PRUDENTIAL CODE MONITORING REPORT TO 30 NOVEMBER 2014

Peter Hurford, the Treasurer to the Authority, presented the report which outlines the performance to the Prudential Indicators for Capital Accounting and Treasury Management for the two-month period ending 30th November 2014.

One small technical breach had occurred on the upper limit of loans between 12 months and 5 years. This was due to a reduction in total borrowing and is not considered a significant risk.

RESOLVED to note the report.

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

Neil Timms, Strategic Director of Finance and Resources, presented the report which provides options for the recommendation to the full Fire Authority for a balanced revenue budget over the next 3 years including implications for Council Tax.

The following responses were given to Councillor's questions:

(a) the outline budget was set last February and now needs to be updated to include further potential savings identified by a Panel consisting of Councillor Wood as Chair of the Finance and Resources Committee, Peter Hurford, as Treasurer to the Authority and Neil Timms as Strategic Director of Finance and Resources;

(b) Members have been concerned regarding the underspend on the capital programme, but this has often been due to delays, including the time between ordering fire appliances and receiving them which can be 14 months. Due to this, plans need to be in place at least a year before equipment is required;

(c) construction of the new Fire Station at Gresham is taking longer than predicted due to unforeseen delays in purchasing land. This will result in the Fire Service not being able to perform to the programme as although some flexibility is built-in, it will not be sufficient in this instance so the programme will be reduced by 20% to allow for this slippage;

(d) more detailed information will be available for the full Fire Authority meeting regarding the implications on council tax options;

(e) In 2008 the Service assessed all of the Fire and Rescue Service estate and considered sustainability of the capital programme. The cost of refurbishment and new build were considered and it was found that refurbishment of fire stations was not feasible as better value for money could be achieved by building new properties. If building programmes were 'slowed down', there would only be a short term benefit with a greater long-term impact;

(f) the capital spend on appliances and their expected working life has been considered but could be revisited. Lifespan varies for different equipment with pumping appliances currently active for 12 years but built with a 15 year life span. If members requested, this could be reconsidered but would need to include consideration of maintenance costs and again, a short term benefit could have a longer term negative impact;

(g) a Fire Cover Review is taking place at the moment to ensure that all Fire Stations are sited appropriately. Land has not yet been identified for any new stations although several options are available.

RESOLVED

(1) to note:

(i) the Capital and Revenue Budgets for 2015/2016;

(ii) the outline Capital and Revenue Budgets for 2016/2017 and 2017/2018;

(2) to recommend that the full Fire Authority, subject to more in-depth complete and longer term information being available, including from Central Government, consider the following two funding options for the Service;

(i) a zero increase in Council Tax;

(ii) an increase in Council Tax below the referendum ceiling.

26 TREASURY MANAGEMENT MID-YEAR REVIEW 2014/15

Peter Hurford, Treasurer to the Authority, presented an update on treasury management activity during the first half of the 2014/15 financial year.

RESOLVED to note the report.

27 CORPORATE RISK MANAGEMENT

Neil Timms, Strategic Director of Finance and Resources, presented the report which updates the Committee on the Corporate and Strategic Risk Registers.

Members questions were responded to as follows;

(a) cyber terrorism is a heightened threat but the Fire and Rescue Service system security is very robust and the service is unlikely to be an attractive target;

(b) there are financial risks as Council Tax grants are reduced significantly. In addition, there may be a move from Central Government for business rates to be collected by the Local Authority. This may result in lower incomes.

RESOLVED

(1) to note and endorse:

(i) the Strategic Risk Register;
(ii) the Corporate Risk Register;

(2) to note the most significant risks facing the Authority;

(3) for the Strategic Director of Finance and Resources to request that the Risk Manager provide a response to members of the Committee regarding the level of protection considered against risks.

28 EXCLUSION OF THE PUBLIC

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

29 PROPOSED DISPOSAL OF LAND AT MANSFIELD

Neil Timms, Strategic Director of Finance and Resources, presented the report which seeks authority for the disposal of a strip of land owned by the Fire Service, at Mansfield. Several options were suggested to the Committee.

RESOLVED to approve Option 4.

30 PURCHASE OF LAND AT THE FORMER GRESHAM WORKS

Neil Timms, Strategic Director of Finance and Resources, presented the report which seeks authority for arrangements to be put in place for the acquisition of the former Gresham Works.

RESOLVED for approval to be given for officers to make an offer to purchase the land in line with the terms set out in paragraph 2.6 of the report.

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

REVENUE AND CAPITAL MONITORING REPORT TO FEBRUARY 2015

Report of the Chief Fire Officer

Date: 17 April 2015

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2014/15 to the end of February 2015. This report focuses of those key areas where outturn variances are likely to occur.

CONTACT OFFICER

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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 £556k, which represents an overall variance of 1.%.

The additional cost of industrial action by the Fire Brigades Union for 2014/15, as reported in the finance system, is £342k**.** These costs are shown “below the line” in the table in paragraph 2.20 as there is no budget to cover this expenditure and the overspend will be funded from General Reserves if required. The forecast underspend of £682k excludes the impact of industrial action and there are further transactions anticipated in respect of the February 2015 strike period. This means that overall there is likely to be a relatively small underspend at the year end.

2.2 **Wholetime Pay:** An estimated outturn underspend of £480k 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 now 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). Expenditure to date on pre-planned overtime is £186k and it is assumed that there will be no further pre-planned overtime for the remainder of the year. An element of contingency is built into the wholetime pay budget to cover temporary over-establishment, so the net result is an overall forecast underspend.

2.3 The removal of one wholetime and one retained appliance, as approved by the Combined Fire Authority on 26 September 2014, has resulted in further underspends this year as the number of occupied posts has fallen below the budgeted establishment. This managed underspend will translate into budget reductions in 2014/15.

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. This year there is a projected outturn underspend of around £157k.

The Retained call outs for the current financial year are 2,408 compared to the same period 2013/14 of 2,936 and this factor will have contributed to the underspend.

2.5 **Administrative and Support Staff Pay:** the variance to date is a £231k underspend, which is forecast to be a £251k underspend by the end of the year (including the Princes Trust forecast underspend referred to below). This is due either to a few instances where employees are working fewer hours than their established FTE or to establishment vacancies.

2.6 **Training:** The training budget is anticipated to have an estimated outturn underspend of £93k, which has arisen mainly as there has been no requirement to send Station Managers to the Fire Service College this year. Also with reducing staff numbers there have been less specialist courses. This budget has been reviewed for 2015/16 to reflect these changed requirements.

2.7 **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 £346k. The ill health charges budget is overspent to date by £90k due to a higher than usual number of ill health retirements occurring in the year. The overspend would have been covered by the pensions earmarked reserve, however this reserve will also be required to fund the on-going increase in ill health charges so it has been assumed that the pension strain overspend will remain.

2.8 **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. 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.

2.9 The Princes' Trust expenditure budgets are showing an underspend to date of around £68k. Most of this relates to pay, and is due to a maternity leave earlier in the year, as well as significant changes in the staffing structure part way through the year.

2.10 A shortfall in income is forecast for the year, amounting to around £120k. This has partly arisen because a small part of the 2013/14 income accrued for will not be received. The other reason for the shortfall is that the total numbers of students recruited has been lower than budgeted, and the proportion of students in each of the two age groups is different to that budgeted. This scenario applies to all three tranches of teams run this year despite efforts made to recruit higher levels. Retention rates have been in line with forecasts.

2.11 The net variances explained above give a forecast total deficit for the activity of £52k.

2.12 **Fleet Maintenance:** some of the appliances in the fleet have suffered metal erosion of the flow meter and pump casings which is most likely due to the way bulk foam is being used. 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. Transport has dealt with some damaged units and will continue to monitor the issue but would hope to contain future expenditure within the maintenance budget. The fuel prices have fallen in this financial year and the Transport Department is anticipating an estimated underspend of £38k**.**

2.13 **Premises:** The Energy budgets are anticipated to under spend by £42k at the stage; this is primarily due to the unusually mild winter. However British Gas, one of our prime energy suppliers has recently introduced a new on-line billing system. The introduction of this system is currently going through some teething problems and as a result the bills we are receiving are inconsistent and largely incorrect. British Gas has assured us that they are dealing with this situation and are in the process of rectification; this situation is being monitored and the Service continues to be in contact with British Gas. The backlog maintenance works, an earmarked reserve funded from a previous year overspend, will be completed by the end of March 2015. The new Retford Fire Station is now complete and the gas and electricity budgets for 2015/16 have been reduced to allow for the efficiencies in energy from the new building.

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2.14 **Insurance:** Overall, the insurance premium budget has overspent this year by £29k, following the insurance tender earlier this year. The premiums paid include a low claim rebate.

2.15 **Supplies and Services:** The risk contingency budget of £50k has only been called upon for one minor item, and will underspend by £46k. It is anticipated that the remainder of the supplies and services budget will underspend by a total of £119k. The underspend against the mobile phones budget of £26k is the result of cost-savings generated by the renegotiation of the contract with EE. As the new mobile phone contract with EE works on a ‘bundled minutes’ basis, NFRS have been able to generate more cost savings than was originally estimated. The communications equipment budget has underspent by £42k as a result of the reduction of workload with Amptron, generated by the migration of the Service’s MDT fleet onto new Systel equipment. The new MDTs are more reliable and require much less technical intervention, thus reducing the need for NFRS ICT or Amptron to be called out to fix problems or faults. The ICT Maintenance Contracts budget is also anticipated to underspend by around £60k. Offsetting this underspend are a number of budgets with small overspends anticipated for various reasons.

2.16 **Support Services:** is overspent by £104k due to an unbudgeted, 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 2.20.

2.18 **Industrial Action:** The additional net expenditure to date is £342k with not all costs yet reported. There is no budget for industrial action therefore all expenditure will be an overspend against the budget. Currently, the £342k is not shown as an outturn overspend, for information, the total net cost of industrial action in the previous year, 2013/14, was £140k.

2.19 **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 £42k.

2.20 The table below shows the position of the revenue budget as at the end of February 2015.

Account Description	Annual Budget	Budget Profile to Feb 2015	Actual Including Commitments To Feb 2015	Variance to Feb 2015	Forecast Outturn	Outturn to Budget
Employees	34,034	30,992	30,444	-548	33,433	-602
Premises-Related Expenditure	2,370	2,279	2,243	-36	2,360	-10
Transport-Related Expenditure	1,933	1,748	1,661	-87	1,907	-27
Supplies & Services	3,691	3,241	3,097	-144	3,525	-165
Third Party Payments	125	111	168	57	190	65
Support Services	199	150	250	100	303	104
Depreciation and Impairment Losses			-52	-52	-42	-42
Sales Fees & Charges	-122	-101	-106	-5	-130	-8
Other Income	-1,642	-1,316	-906	410	-1,274	368
Capital Financing Costs	2,304	489	489		2,065	-239
	42,892	**37,593**	**37,288**	**-305**	**42,336**	**-556**

CAPITAL PROGRAMME

2.21 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.

2.22 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 £3,836k. The capital budget holders have reviewed the estimated outturns on the capital projects and these are reported in paragraph 2.35, giving a forecast outturn of £4,887k.

2.23 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 and cash generated by the minimum revenue provision charge. It is unlikely that new borrowing will be required this year, although it could be taken in advance of next year's programme up to the value of £5,250k as approved within the Authority's Prudential limits.

2.24 **Transport:** Three Rescue Pump appliances scheduled for the current year are currently in build with completion now anticipated to be April/May. Certain Special appliance projects are now subject to change with the planned requirements being reviewed in conjunction with the outcome of the SRT review. In addition the Aerial Ladder Platform at Mansfield is now undergoing bodywork repairs / minor refurbishment to ensure it is able to reach the extended planned life and stagger its eventual replacement with the new aerial appliance. With possible opportunities for light vehicle fleet reduction still being discussed (following some degree of departmental restructure) only limited new light vehicle procurement has been possible.

2.25 **Equipment:** The radios currently in use on the incident ground are now many years old and are planned to be replaced this year. The estimated outturn for 2014/2015 is £200k with only £4k to be slipped into 2015/2016. This represents a total underspend for the project of £46k.

2.26 **Estates:** The rebuilt Retford Fire Station is now complete and was occupied in December 2014 and the temporary station vacated ready for stripping out and returning to the landlord sometime in 2015. The new London Road Fire Station at the Gresham Works Site: The planning conditions relating to the site contamination and site remediation have now been discharged and the sale negotiations are proceeding. The works relating to the fire station build have been tendered and a contractor has been appointed subject to the land being acquired. In addition, feasibility and option appraisals for rebuilding or refurbishing a number of NFRS's 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 on future major property projects.

2.27 **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 will be partly slipped into next year and the replacement of the storage area network will complete within the year. The project to implement CFRMIS Online Services is in progress, but will be slipped into 2015/2016, 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.

2.28 **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 has been forecast although this will be reviewed before the year end, and £168k is likely to be underspent by the end of this year.

2.29 **Tri-Service Control:** the project to implement a Tri-Service Control and mobilising system has suffered some delays and is currently due to go live in the late Spring of 2015. It is assumed that there will be some interim payments due for the system before the end of March 2015 and the remainder of the budget will be slipped into 2015/16.

2.30 **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.

2.31 **Capital Variation 2015/16:** Members are requested to approve an additional capital budget within the 2015/16 Capital Programme for the provision of an Incident Command training facility at Service Headquarters. The budgetary sum required is £90k, and this will be financed from the Capital Earmarked Reserve such that there will be no on-going impact on the revenue budget as a result of this project.

2.32 The background to this request is that it has been acknowledged that the Service's internally provided Incident Command training does not fully satisfy the requirement to provide a safe, competent and effective operational workforce. In the main it does, but the gaps are in respect of Level 1 training (for Crew and Watch Managers) in that whilst competence is maintained on duty there are no formal re-validation assessments, and in respect of Level 2 (Station Managers) in that the training facility is insufficient for the development and re-validation of those Station Managers' competencies. Although this was being considered during the budget process, a potential solution had not been developed and Station Managers have attended another Fire and Rescue Service for Incident Command training. Full consideration has been given to whether or not the Service could continue to use an external supplier for some aspects of Incident Command training, thereby negating the need for an internal provision. The conclusion is that the cost of using an external supplier (another Fire and Rescue Service) would be greater than the cost of an in-house facility over the medium to longer term because of the increased travelling costs and time. In addition, there may be the need to respond with immediate training in the event of a serious operational incident, and an external supplier may not have the flexibility to meet this requirement.

2.33 Since the budget process, an opportunity to rectify the situation has arisen. When the Tri-Service mobilising system goes live and the Control Section moves back into the refurbished Control room, the space currently occupied by the Control Section will be freed. This space is suitable for developing into a dedicated Incident Command training and assessment suite. The Service already has the appropriate software, and this is being used at Carlton Fire Station as an interim measure. The capital budget of £90k is required to make adaptations to the space within the building (£10k) and to procure and install the ICT infrastructure and hardware (£80k).

2.34 Members are requested to approve this additional capital programme budget in 2015/16. It is anticipated that the project will be completed during the year.

2.35 The table attached at Appendix A shows the position of the capital programme as at the end of February 2015.

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 from this report.

5. EQUALITIES IMPLICATIONS

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

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

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

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

CAPITAL PROGRAMME	2014/15 Approved Budget	Estimated 2013/14 Slippage	2014/15 Virements	2014/15 Revised Budget	Actual to February	Remaining Budget to be Spent	Estimated Outturn	Estimated Outturn Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT								
Rescue Pump Replacement	910	670		1,580	1268	312	1,327	-253
Special Appliances		568		568	66	502	116	-452
Appliance Equipment (radios)	36			36	0	36	0	-36
Light Vehicle Replacement	138	369		507	125	382	136	-371
	1,084	**1,607**	**0**	**2,691**	**1,459**	**1,232**	**1,579**	**-1,112**
EQUIPMENT								
Radio Replacement	250			250	0	250	200	-50
	250	**0**	**0**	**250**	**0**	**250**	**200**	**-50**
ESTATES								
Retford Fire Station Rebuild	0	800	996	1,796	1595	202	1,595	-201
Central Fire Station Rebuild			232	232	233	-1	283	51
Central Fire Land Purchase		411	189	600	0	600	0	-600
Refurbishment and Rebuilding	2,310	1,984	-1,567	2,727	0	2,727	0	-2727
Feasibility Plans			150	150	0	150	0	-150
Retention Payments:					0			
- Blidworth FS		25		25	9	16	15	-10
- Edwinstowe FS		31		31	2	29	3	-28
- Sustainable Technology Project		15		15	1	14	1	-14
	2,310	**3,267**	**0**	**5,577**	**1,840**	**3,737**	**1,897**	**-3,679**
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30			30	5	25	20	-10
Business Expansion	25	6		31	19	13	20	-11
Replacement Equipment	85			85	76	9	77	-8
Microsoft Enterprise Software Licences	200			200	0	200	0	-200
Telephone PABX Replacement	250			250	68	182	117	-133
SAN & Back Up Replacement	100			100	96	-91	96	-4
Microsoft Infrastructure			7	7	0	-16	15	8
Business Process Automation		345	-7	339	48	314	50	-289
CFRMIS Online Services		47		47	0	47	0	-47
	690	**398**	**0**	**1,088**	**406**	**682**	**395**	**-693**
HUMAN RESOURCES								
HR System Replacement		270		270	92	178	102	-168
	0	**270**	**0**	**270**	**92**	**178**	**102**	**-168**
CONTROL								
Tri-Service Control & Mobilising System	1,091			1,091	39		776	-316
	1,091	**0**	**0**	**1,091**	**39**	**1,052**	**776**	**-316**
FINANCE								
Payroll System Replacement	30			30	0	30	0	-30
	30	**0**	**0**	**30**	**0**	**30**	**0**	**-30**
Grand Total	**5,455**	**5,543**	**0**	**10,997**	**3,836**	**7,161**	**4,949**	**-6,048**
To Be Financed By :								
Capital Grant - General	-1,088			-1,088	-1,088			
Capital Grant - TriService Control	-1,091			-1,091	-776			
Capital Receipts	-2,385			-2,385	-2,289			
Unused Borrowing b/f		-910		-910	-796			
New Borrowing		-2,793		-2,793	0			
Internal Financing	-891	-1,839		-2,730	0			
Total	**-5,455**	**-5,543**		**-10,997**	**-4,949**			

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 31 MARCH 2015

Report of the Treasurer to the Fire Authority

Date: 17 April 2015

Purpose of Report:

To inform Members of performance for the four month period to 31 March 2015 relating to the prudential indicators for capital accounting and treasury management.

CONTACT OFFICER

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

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 December 2014 to 31 March 2015 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 31 March 2015, 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 March 2015.

TREASURY MANAGEMENT INDICATORS

2.4 An interest earnings budget of £86k was set for 2014/15 and as at 31 March 2015 £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.

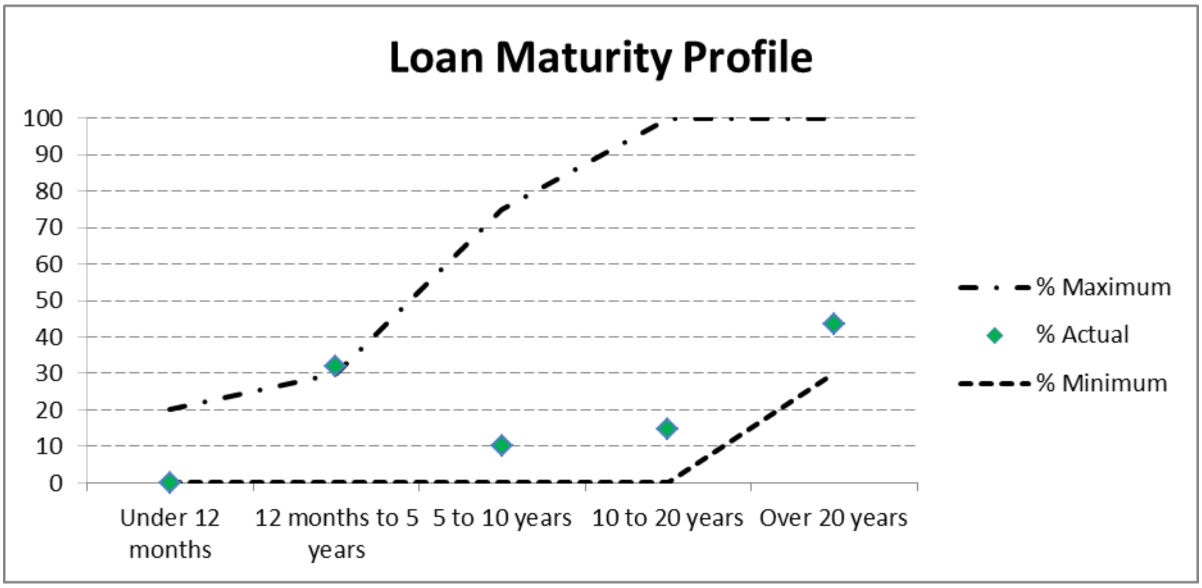
2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 31 March 2015, 100% of lending was at fixed interest 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 31 March 2015 the account was not overdrawn. A graph of cash balances for the 12 months up to 31 March 2015 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 31 March 2015 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 31 March 2015, 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 or learning and development implications arising 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 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

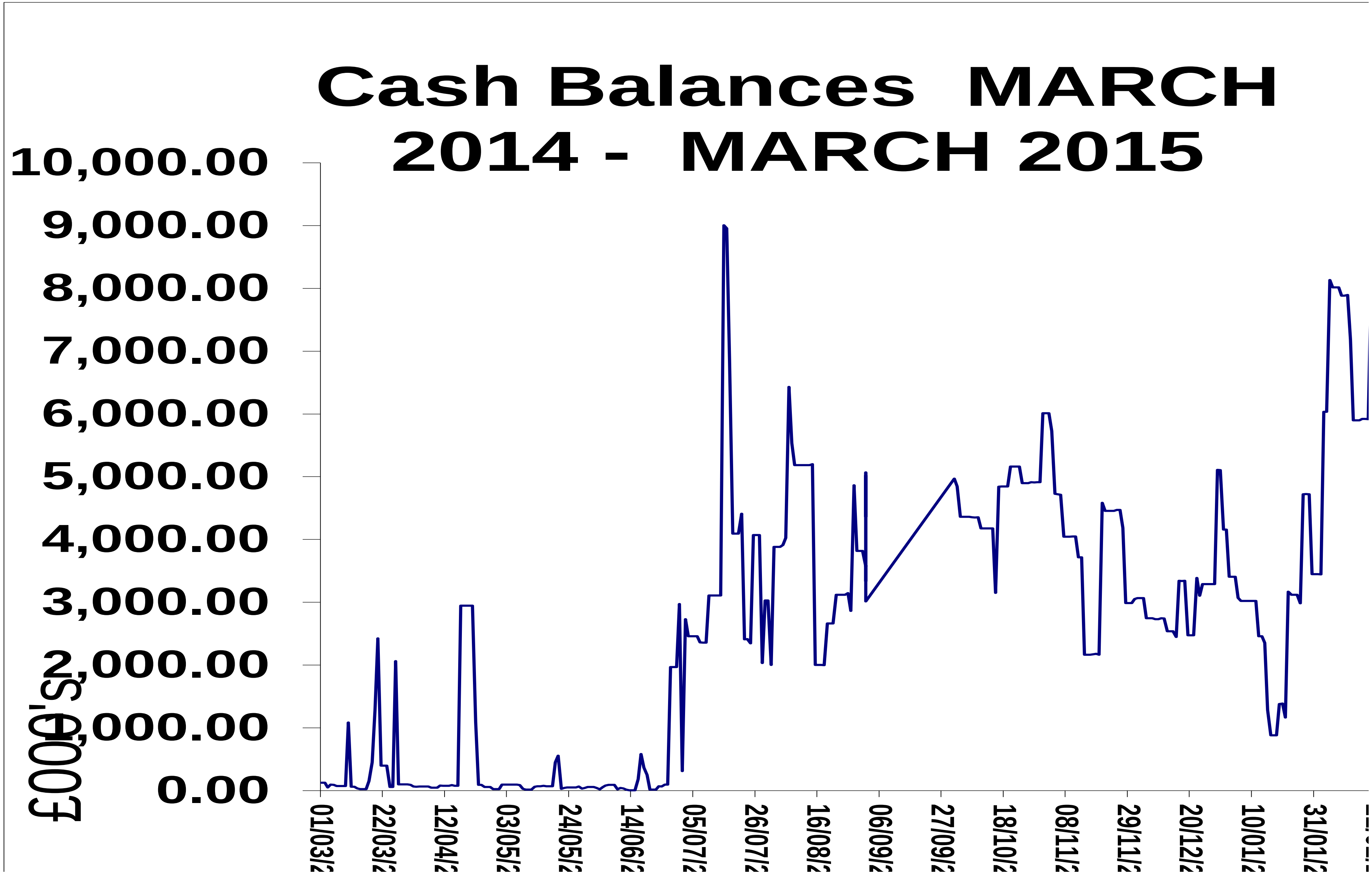
That Members note the contents of this report.

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

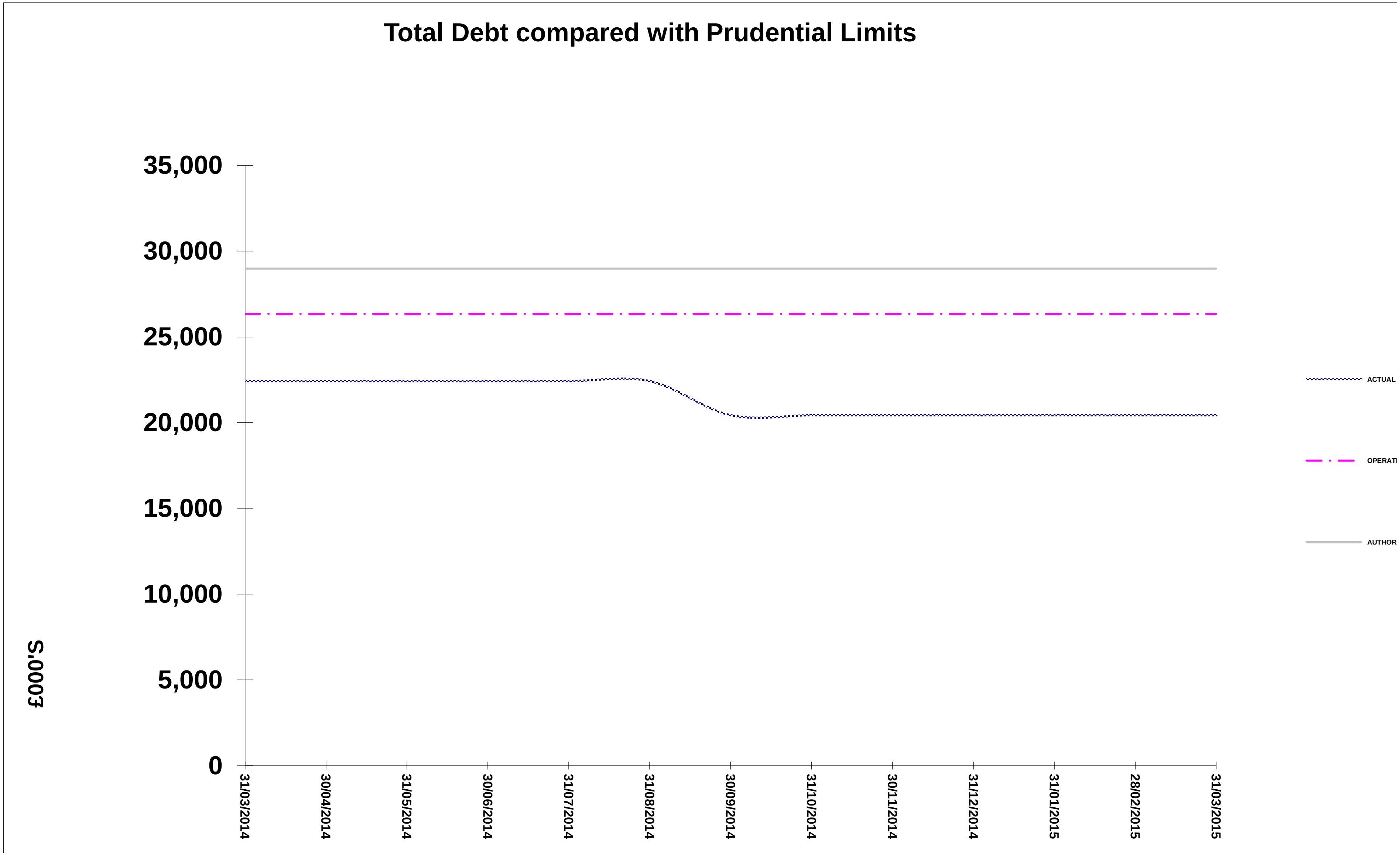
None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

APPENDIX A



Cash Balances MARCH 2014 - MARCH 2015
£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
01/03/2
22/03/2
12/04/2
03/05/2
24/05/2
14/06/2
05/07/2
26/07/2
16/08/2
06/09/2
27/09/2
18/10/2
08/11/2
29/11/2
20/12/2
10/01/2
31/01/2


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
30/11/2014
31/12/2014
31/01/2015
28/02/2015
31/03/2015
ACTUAL
OPERATI
AUTHOR

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

EXTERNAL AUDIT PLAN 2014/2015

Report of the Chief Fire Officer

Date: 17 April 2015

Purpose of Report:

To present the external auditors' audit plan for work which they intend to carry out on the 2014/2015 accounts.

CONTACT OFFICER

Name :	Neil Timms Strategic Director of Finance and Resources
Tel :	0115 967 0880
Email :	neil.timms@notts-fire.gov.uk
Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

Members will be aware that KPMG took over the audit of the Fire Authority's accounts from the Audit Commission in 2013/2014. As part of their responsibilities under the external audit regime, they produce an annual plan setting out the areas that they will cover during their audit and this plan is presented to the Finance and Resources Committee.

2. REPORT

2.1 The full external plan is set out in Appendix A and therefore the details are not discussed in this report. However, in summary it covers several areas:

- Headline messages, including key risks to the financial statements
- The approach to be taken to the audit
- Financial statements audit risks
- Value for money approach.

2.2 The plan also sets out the fees for the audit and the timescales for reporting.

3. FINANCIAL IMPLICATIONS

The audit fee is as set out in the audit fee letter 2014/2015 and is £41,000 which is the same as in 2013/2014.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report relates to statutory audit which is external scrutiny rather than a policy matter.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The external auditors have statutory powers and responsibilities set out in the Audit Commission Act 1998.

8. RISK MANAGEMENT IMPLICATIONS

The external auditors provide a key element of the assurances that are given to elected members and members of the public with regard to the accuracy of the financial statements and the arrangements for value for money.

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

cutting through complexity

External Audit Plan 2014/15

Nottinghamshire and City of Nottingham Fire and Rescue Authority

April 2015

Contents

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Kanika Bassi
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KPMG LLP (UK)

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kanika.bassi@kpmg.co.uk

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andy Cardoza on 0121 232 3869, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 1st Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Introduction

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

Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in April 2014. It describes how we will deliver our financial statements audit work for Nottinghamshire and City of Nottingham Fire and Rescue Authority ('the Authority'). It also sets out our approach to value for money (VFM) work for 2014/15.

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

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

Statutory responsibilities

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

The Audit Commission will cease to exist on 31 March 2015. However our audit responsibilities under the *Audit Commission Act 1998* and the *Code of Audit Practice* in respect of the 2014/15 financial year remain unchanged.

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

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

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

The Audit Commission will cease to exist on 31 March 2015. Details of the new arrangements are set out in Appendix 4. The Authority can expect further communication from the Audit Commission and its successor bodies as the new arrangements are established. This plan restricts itself to reference to the existing arrangements.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements audit and Value for Money (VFM) Conclusion.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM arrangements and sets out our initial risk assessment for the VFM conclusion.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

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

Headlines

Audit approach	Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Principal Accountant. Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.
Key financial statements audit risks	We have completed our initial risk assessment for the financial statements audit and have identified no specific significant risks, beyond the standard risks that are described on page 10.
VFM audit approach	We have identified no specific VFM risks.
Audit team, deliverables, timeline and fees	We have refreshed our audit team this year. Andy Cardoza remains the Director whilst Helen Brookes is the new Manager and Kanika Bassi is the new In Charge. Their roles and responsibilities are detailed on page 15. Our audit timeline is detailed on page 17. In summary our interim work is scheduled for mid March 2015 and the main financial statements audit is scheduled to commence on 22nd June 2015. Upon conclusion of our work we will again present our findings to you in our *Report to Those Charged with Governance (ISA 260 Report)*. The planned fee for the 2014/15 audit is £41,000 which is the same as the fee set out in our *Audit Fee Letter 2014/15* and the same as the fee for 2013/14.

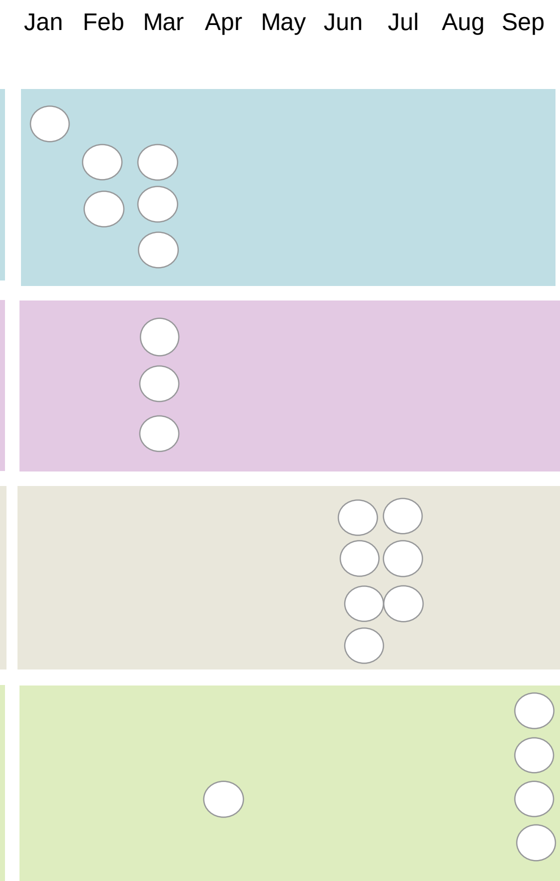
Our audit approach

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

- **Planning – February/March 2015**
- **Control Evaluation - March 2015**
- **Substantive Procedures - June/July 2015**
- **Completion - September 2015**

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

1	Planning	Update our business understanding and risk assessment. Assess the organisational control environment. Determine our audit strategy and plan the audit approach. Issue our *Accounts Audit Protocol*.
2	Control evaluation	Evaluate and test selected controls over key financial systems. Review the accounts production process. Review progress on critical accounting matters.
3	Substantive procedures	Plan and perform substantive audit procedures. Conclude on critical accounting matters. Identify audit adjustments. Review the Annual Governance Statement.
4	Completion	Declare our independence and objectivity. Obtain management representations. Report matters of governance interest. Form our audit opinion and report to those charged with governance.



Our audit approach – planning (continued)

During February and March 2015 we complete our planning work.

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

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

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Our planning work takes place in February and March 2015. This involves the following aspects:

Planning

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

Business understanding and risk assessment

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

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

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

Organisational control environment

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

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

Audit strategy and approach to materiality

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

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

Further details on assessment of materiality is set out on page 6 of this document.

Our audit approach –planning (continued)

When we determine our audit strategy we set a monetary materiality level for planning purposes.

For 2014/15 we have set this at £1 million.

We will report all audit differences over £50k to the Finance and Resources Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

Materiality for planning purposes has been set at £1m this is based on 2013/14 reported gross expenditure. This figure is a guide only.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Finance and Resources Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Finance and Resources Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) *'Communication with those charged with governance'*, we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 (UK&I), *'Evaluation of misstatements identified during the audit',* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £50k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Finance and Resources Committee to assist it in fulfilling its governance responsibilities.

Our audit approach – control evaluation

During March 2015 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2014/15.

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

We will report any significant findings arising from our work to the Finance and Resources Committee.

Page 37

Our on site interim visit will be completed during March 2015. During this time we will complete work in the following areas:

Control Evaluation

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

Controls over key financial systems

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

Review of internal audit

Where our audit approach is to undertake controls work on financial systems, we seek to review any relevant work internal audit have completed to minimise unnecessary duplication of work. This will inform our overall risk assessment process.

Accounts production process

We will assess the Authority's progress in preparing for the closedown and accounts preparation.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work these will be discussed at the next available Finance and Resources Committee.

Our audit approach – substantive procedures

During June/July 2015 we will be on site for our substantive work.

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

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

We will present our *ISA 260 Report* to the Authority in September 2015.

Our final accounts visit on site has been provisionally scheduled for 22nd June 2015. During this time, we will complete the following work:

Substantive Procedures

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

Substantive audit procedures

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

Critical accounting matters

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

We will discuss our early findings of the Authority's approach to address the key risk areas with the Principal Accountant prior to reporting to the Authority.

Audit adjustments

During our on site work, we will meet with the Principal Accountant on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

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

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

Annual Governance Statement

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

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to the Authority in September 2015.

Our audit approach – other matters

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

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

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

Whole of Government Accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2014/15 have not yet been confirmed.

Elector challenge

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

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

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

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

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Finance and Resources Committee. Our deliverables are included on page 16.

Independence and objectivity confirmation

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

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Finance and Resources Committee.

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

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

Confirmation statement

We confirm that as of March 2015 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Key financial statements audit risks

In this section we set out our assessment of the significant risks to the audit of the Authority's financial statements for 2014/15.

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

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

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

Appendix 3 covers more details on our assessment of fraud risk.

VFM audit approach

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

Background to approach to VFM work

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

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

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

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

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

VFM audit approach (continued)

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

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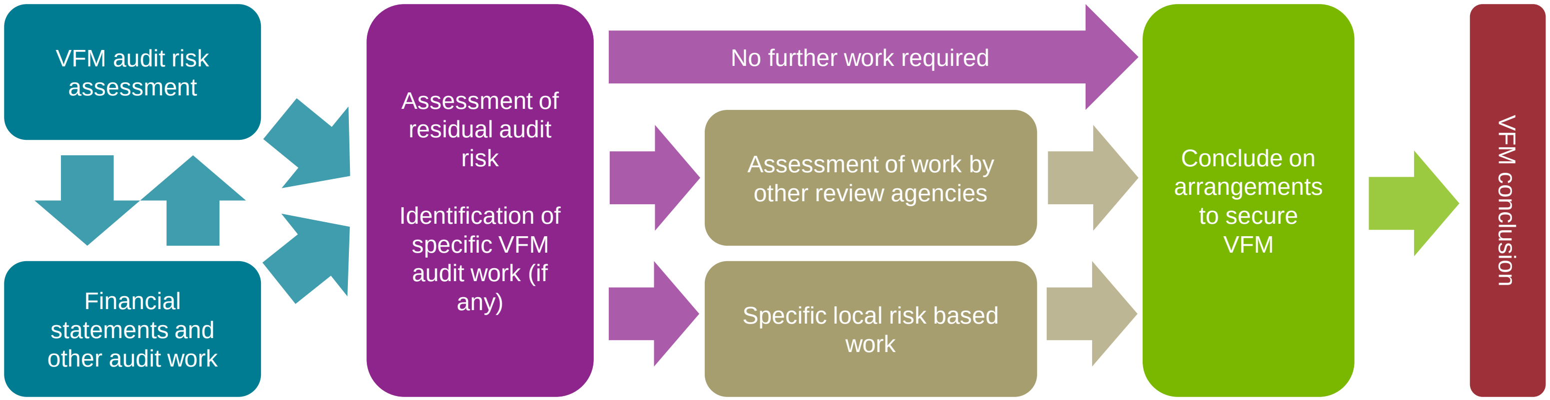
Overview of the VFM audit approach

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



Each of these stages are summarised further below.

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

VFM audit approach (continued)

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

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

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

VFM audit approach (continued)

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

We have completed our initial risk assessment and have not identified any specific risks to our VFM conclusion at this stage. We will update our assessment at year end.

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

VFM audit stage	Audit approach
Delivery of local risk based work	Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as: ■ Local savings review guides based on selected previous Audit Commission national studies; and ■ Update briefings for previous Audit Commission studies. The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.
Concluding on VFM arrangements	At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	We have completed our initial VFM risk assessment and have not identified any specific key issues. We are aware of the financial and operational pressures that you are dealing with. At present, we consider that we will be able to obtain the assurances that we need to fulfil our responsibilities for the VFM conclusion from our standard programme of work. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260. We will report on the results of the VFM audit through our *ISA 260 Report*. This will summarise any specific matters arising, and the basis for our overall conclusion. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team have been refreshed from last year's audit, with a new Manager and In Charge.

Contact details are shown on page 1.

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

"My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Finance and Resources Committee and Corporate Directors."

Andy Cardoza
Director

"I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will work closely with the KPMG Director to ensure we add value."

Helen Brookes
Manager

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

Kanika Bassi
In Charge

Audit deliverables

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

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

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

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures.	**April 2015**
Control evaluation and substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	■ Details control and process issues. ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements.	**September 2015**
Completion		
Auditor's Report	■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	**September 2015**
Whole of Government Accounts	■ Provide our assurance statement on the Authority's WGA pack submission.	**September 2015**
Annual Audit Letter	■ Summarises the outcomes and the key issues arising from our audit work for the year.	**October 2015**

Audit timeline

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

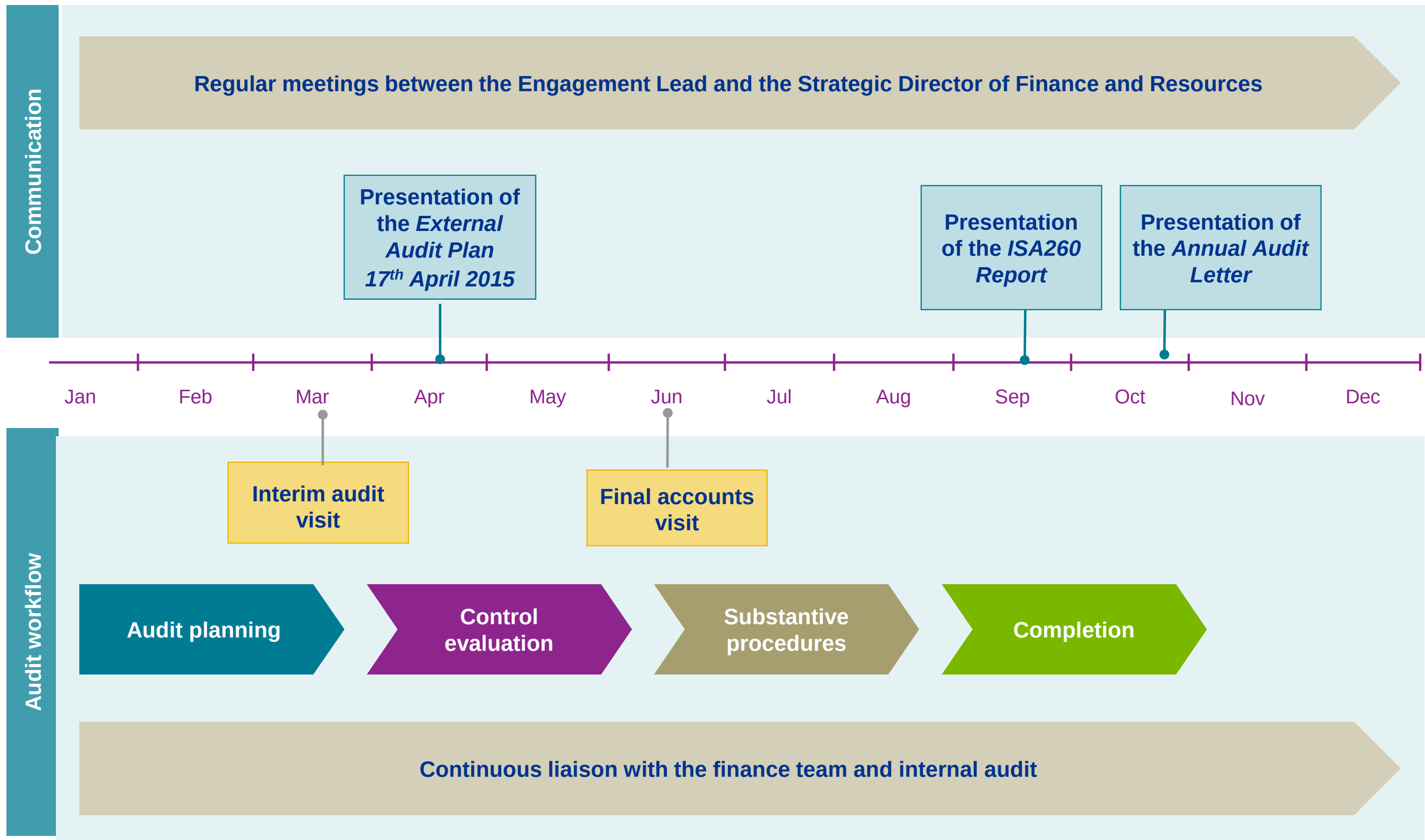
Key formal interactions with the Finance and Resources Committee/Authority are:

- **April 2015 - External Audit Plan;**
- **September - ISA 260 Report; and**
- **October - Annual Audit Letter.**

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- **Interim audit visits during March 2015.**
- **Final accounts audit during June/July 2015.**



Key: ● Finance and Resources Committee/Authority meetings.

Audit fee

The fee for the 2014/15 audit of the Authority is £41,000. The fee is unchanged from that set out in our *Audit Fee Letter 2014/15* issued in April 2014.

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

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

Audit fee

Our *Audit Fee Letter 2014/15* sent to you in April 2014 first set out our fees for the 2014/15 audit. The planned audit fee for 2014/15 is £41,000, which is the same as the fee for 2013/14 and we have not considered it necessary to make any changes to the agreed fees at this stage

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

Audit fee assumptions

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

- The level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2013/14;
- You will inform us of any significant developments impacting on our audit;
- You will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15* within your 2014/15 financial statements;
- You will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;
  - requested information will be provided within the agreed timescales;
  - prompt responses will be provided to queries and draft reports;
- Internal audit meets appropriate professional standards; and
- Additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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

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

Changes to the audit plan

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

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

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Strategic Director of Finance and Resources.

Appendix 1: Independence and objectivity requirements

This Appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

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

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

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

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

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

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

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

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

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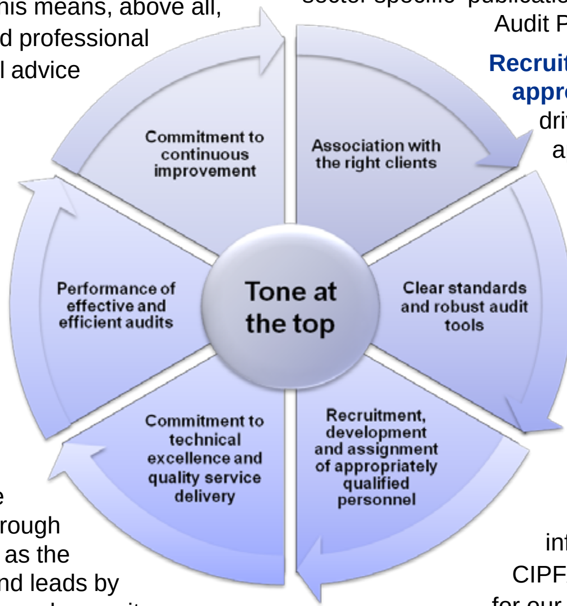
At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity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

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



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

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

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

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

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

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

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

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

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

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

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

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

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

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

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

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

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

Our quality review results

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

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission's overall audit quality and regularity compliance requirements.

Appendix 3 : Assessment of fraud risk

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

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Members /Officers responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Finance and Resources Committee and auditors:
  - Any significant deficiencies in internal controls.
  - Any fraud involving those with a significant role in internal controls.

KPMG's identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Finance and Resources Committee and others.
- Evaluate controls that prevent, deter and detect fraud.

KPMG's response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Finance and Resources Committee and management.

KPMG's identified fraud risk factors

- We will monitor the following areas throughout the year and adapt our audit approach accordingly.
  - Revenue recognition.
  - Management override of controls.

Appendix 4: Transfer of Audit Commission functions

The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commission regulatory and other functions.

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From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- Responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- The Commission's responsibilities for local value for money studies will also transfer to the NAO; and
- The National Fraud Initiative (NFI) will transfer to the Cabinet Office.

KPMG

cutting through complexity ™

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

ROAD RISK GROUP ACTION PLAN

Report of the Chief Fire Officer

Date: 17 April 2015

Purpose of Report:

To provide the Committee with an action plan for the Road Risk Group.

CONTACT OFFICER

Name :	Neil Timms Strategic Director of Finance and Resources
Tel :	0115 967 0880
Email :	neil.timms@notts-fire.gov.uk
Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

1.1 The use of vehicles on Service business has consistently been one of the highest corporate risks to which the Authority is exposed. The Finance and Resources Committee has taken a keen interest in gaining assurance that the Service is managing that risk appropriately and requested a report that provided details of the activity of the Road Risk Group in managing that risk.

1.2 The Road Risk Group, a sub-group of the Service Health, Safety and Welfare Committee is the forum through which the Service has elected to manage its exposure to this risk. The Road Risk Group is chaired by the Assistant Chief Fire Officer and includes a wide range of stakeholders.

2. REPORT

2.1 The action plan attached at Appendix A has been compiled from the needs identified by stakeholders of the Road Risk Group, together with the recommendations contained within an independent report undertaken by the Service's motor insurers.

2.2 The action plan recognises that the Service's management of road risk extends beyond emergency driving and also involves other aspects of operational driving and driving activities undertaken by non-uniformed colleagues such as driving to attend meetings or training courses.

2.3 There are six main areas of work being addressed by the Road Risk Group, these are:

- The policies, procedures and reporting mechanisms that demonstrate appropriate and effective management control and provide the infrastructure for the Service's management of at-work driving;

- The assessment of risk relating to the Service's driving activities, which aside from being a statutory requirement, help to inform the development of safe systems of work, driver and driving training and supervisory requirements;

- The evaluation of the suitability of driver training to ensure that drivers' skills are maintained or improved and that the Service's driver trainers maintain their competence;

- The provision of driver educational information in respect of general driving updates and advice;

- Ensuring appropriate supervision of at-work driving activity and providing training to supervisors in order that they are able to discharge their responsibilities effectively;

- The Service’s approach to accident investigations, including the use of accident statistics and vehicle data/technology to help identify causes and develop appropriate and effective interventions.

2.4 The work outlined in this action plan will provide the Service with a structured approach to the management of its work-related driving risks. All the action owners are represented at the Road Risk Group allowing for any interdependencies to be discussed. The action plan has already been submitted to Service Managers’ Forum for consideration.

3. FINANCIAL IMPLICATIONS

Some of the action points detailed in the action plan may require a reallocation of resources within departments or teams or the inclusion of work in the business planning and budgeting process. In some cases, there may need to be the production of business cases to support requests for additional funding through the Service’s project management framework.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An 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 from this report.

8. RISK MANAGEMENT IMPLICATIONS

The work of the Road Risk Group directly helps to address one of the Service’s most significant corporate risks, that of at-work driving. As the various risk mitigation measures are put in to place, the intention is that these will help to improve the Service’s motor accident history, providing an opportunity to negotiate a more favourable insurance deal than would otherwise be available, while simultaneously reducing the risk of harm to employees and members of the public; and the risk of criminal or civil prosecutions against individual drivers or the Service.

9. RECOMMENDATIONS

That Members note the Road Risk Group action plan.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

ROAD RISK GROUP ACTION PLAN

Action	Owner	Stakeholders	Target Date	Comments
Introduce policy and procedure for grey fleet usage	Transport	Transport Rep Bodies Employees	Ready for consultation by end August 15	Need identified in Road Risk Group and by external Fleet and Driver Review. Potential corporate risk arising from a lack of control over drivers using their own vehicles for work. Includes driver license checking. Reduces risk to individual drivers of prosecution (i.e. having the incorrect insurance) Includes documentation that the Service needs to check in order to ensure legal compliance in terms of the use of work equipment.
Encourage CFOA representation on consultations relating to driving standards	ACFO	All members of the Road Risk Group	July 2015	ACFO to provide Road Risk Group with an update on CFOA's engagement with any driving-related consultations.
Engage in regional collaborations	Business Risk Manager/Learning & Development	ACFO Business Risk Manager Transport Health & Safety SDC/Driving School Service Delivery	Interim report to CFOA Wellbeing Group March 2015. Full draft by June 2015	Regional peer review of MORR

Action	Owner	Stakeholders	Target Date	Comments
Devise and implement a system for the maintenance of driving standards	SM Driving School	SDC/Driving School Business Risk Manager Transport Health & Safety Service Delivery Rep Bodies	December 2015	Applies to both uniformed and non-uniformed drivers and covers all driving activity Need to establish benchmark standards
Establish a ‘vision’ for driving activity	Business Risk Manager	Health & Safety Transport Business Risk Manager Principal Officers SDC/Driver Training Service Delivery All employees	February 2015	Establish expectations in terms of driving standards and its importance in providing an emergency response, plus driving under normal road conditions.
Review of “driving safety” in Written Safety Policy and associated procedures	Health & Safety Advisor	Health & Safety Transport Business Risk Manager Principal Officers SDC/Driver Training Service Delivery All employees	Done	Management responsibilities are covered in the Safety Management Structure and Risk Assessment sections of the Written Safety Policy. Mobile phone use is covered in driving safety

Action	Owner	Stakeholders	Target Date	Comments
Develop and implement Driver and Driving Management supervisory training	Learning & Development	Transport Business Risk Manager Health & Safety SDC/Driving School Service Delivery	April 2016	Based on risk assessment Two courses planned to be delivered to CM/WM and SM/GM respectively. Existing supervisory/line management and driving course syllabi to be consulted when determining content and to see whether they reflect driving activity as part of the operational response Also need to ensure non-operational driving is catered for
Production, analysis and evaluation of event statistics	Transport/Corporate Performance	Business Risk Manager Transport Health & Safety SDC/Driving School Service Delivery	Done	The transport department have discussed the production of accident statistics for reporting to the Road Risk Group with Corporate Performance
Event investigation	HS&ERM	Transport Business Risk Manager Health & Safety Estates	June 2015	PC currently looking at investigation processes. External report identified need to involve additional internal expertise in investigation process Ensure enforcement and discipline is consistent and proportionate
Ensure Driver Trainers are able to maintain competence in a structured manner	SM Driving School	SDC/Driving School Business Risk Manager	December 2015	External review identified a lack of structured development for driver trainers. SM Driving School has ascertained that there is an appetite to undertake driver trainer development regionally and this should be explored as a cost-effective option.

Action	Owner	Stakeholders	Target Date	Comments
Review effectiveness of driver training	SDC/Driving School	SDC/Driving School Service Delivery	August 2015	Ensure refresher training is appropriate, consider the development and use of a pre-EFAD assessment questionnaire to help tailor refresher training. Check that referrals to driving school following accidents or other concerns are tailored to address specific improvement requirements Ensure upper levels of Goals for Driver Education are being embraced. Ensure appropriate consideration given to reversing and other manoeuvring tasks in training, assessments and drilling Review signaller training Some form of training/assessments recommended for all grey fleet drivers Specific training for minibuses required – MiDAS programme – include aspects such as emergency evacuations Provision of general driver and driving education information to all employees

Action	Owner	Stakeholders	Target Date	Comments
Review of Risk Assessments for vehicles and driving activities	Health & Safety Advisor	Health & Safety Service Delivery Corporate Support Finance & Resources Business Risk Manager	July 2015	To be undertaken by way of audit by the Assistant Health, Safety and Environmental Adviser. Risk assessments should be reviewed to ensure that they take account of human limitations. Emergency response driving risk assessment needs to take account of stress and cognitive demands on these drivers Investigate use of psychometric profiling in establishing driver risk profile
Ensure effective use of in-vehicle data systems	Transport	Rep Bodies Transport Health and Safety Business Risk Manager	June 2015	Ensure that in-vehicle data systems are used not only for accident investigations (expectation from the courts that this will happen), but also for pro-active learning and for supporting Service drivers involved in driving events. CCTV recording initiated by switching on of ignition
Ensure e-learning for driving-related skills and knowledge is available	Learning & Development	All employees	September 2015	Need to ensure that this links in and informs existing competencies.
Establish management reporting process	ACFO	Principal Officers SMF Managers Business Risk Manager	Done	Business Risk Manager responsible for compiling management reports on behalf of ACFO. Process needs to determine what will be reported, to whom, when and how.

Action	Owner	Stakeholders	Target Date	Comments
Integration of behavioural aspects of driving	SDC/Driving School	Service Delivery Business Risk Manager	October 2015	The higher levels of the goals for driver education focus on attitudes towards driving and the decision-making process, rather than the technical skills associated with vehicle control and hazard perception.
Engage in eye tracking hazard perception research project with Nottingham Trent University	ACFO	Business Risk Manager SDC/Driver Training Principal Officers	Done	NTU-led research project that aims to use eye-tracking technology alongside other hazard-perception tests with the aim of seeing whether new styles of training intervention can be developed.