

**BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY**  
**BUCKINGHAMSHIRE FIRE AND RESCUE SERVICE**

Director of Legal & Governance, Graham Britten  
Buckinghamshire Fire & Rescue Service  
Brigade HQ, Stocklake, Aylesbury, Bucks HP20 1BD  
Tel: 01296 744441 Fax: 01296 744600



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**Chief Fire Officer and Chief Executive**

Jason Thelwell

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To: The Chairman and Members of Buckinghamshire  
And Milton Keynes Fire Authority

9 February 2015

Dear Councillor

Your attendance is requested at a meeting of the **BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY** to be held in Meeting Room 1, Fire and Rescue Headquarters, Stocklake, Aylesbury on **WEDNESDAY 18 FEBRUARY 2015 at 11.00 am** when the business set out overleaf will be transacted.

Yours faithfully

Graham Britten  
Director of Legal and Governance

Chairman: Councillor Busby  
Councillors Bendyshe-Brown, Chilver, Dransfield, Exon, Glover, Gomm, Huxley, Lambert, Mallen, Morris, Reed, Schofield, Vigor-Hedderly, Watson, Webb and Wilson



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## **COMBINED FIRE AUTHORITY - TERMS OF REFERENCE**

1. To appoint the Authority's Standing Committees and Lead Members.
2. To determine the following issues after considering recommendations from the Executive Committee, or in the case of 2(a) below, only, after considering recommendations from the Overview and Audit Committee:
  - (a) variations to Standing Orders and Financial Regulations;
  - (b) the medium-term financial plans including:
    - (i) the Revenue Budget;
    - (ii) the Capital Programme;
    - (iii) the level of borrowing under the Local Government Act 2003 in accordance with the Prudential Code produced by the Chartered Institute of Public Finance and Accountancy; and
  - (c) a Precept and all decisions legally required to set a balanced budget each financial year;
  - (d) the Prudential Indicators in accordance with the Prudential Code;
  - (e) the Treasury Strategy;
  - (f) the Scheme of Members' Allowances;
  - (g) the Integrated Risk Management Plan and Action Plan;
  - (h) the Annual Report.
3. To determine the Code of Conduct for Members on recommendation from the Overview and Audit Committee.
4. To determine all other matters reserved by law or otherwise, whether delegated to a committee or not.
5. To determine the terms of appointment or dismissal of the Chief Fire Officer and Chief Executive, and deputy to the Chief Fire Officer and Chief Executive, or equivalent.
6. To approve the Authority's statutory pay policy statement.

## AGENDA

### Item No:

#### 1. Apologies

#### 2. Minutes

To approve, and sign as a correct record the Minutes of the meeting of the Fire Authority held 17 December 2014 (Item 2) **(Pages 7 - 16)**

#### 3. Disclosure of Interests

Members to declare any disclosable pecuniary interests they may have in any matter being considered which are not entered onto the Authority's Register, and officers to disclose any interests they may have in any contract to be considered.

#### 4. Chairman's Announcements

To receive the Chairman's announcements (if any).

#### 5. Petitions

To receive petitions under Standing Order SOA6.

#### 6. Questions

To receive questions in accordance with Standing Order SOA7.

#### 7. Committee matters

Amendments to the Authority's Standing Orders

##### **(a) SOA3 Order Of Business, Agenda Procedure and Summons**

In light of new regulations by the Secretary of State for Communities and Local Government, namely the Local Government (Electronic Communications) (England) Order 2015 which came into effect on 30 January 2015, it is recommended that:

the Authority Standing Orders be amended so that the following text is inserted at SOA3 (17):

"...or, where a Member has given consent for the summons to be transmitted in electronic form to a particular electronic address (and consent has not been withdrawn) sending it in electronic form to that address ...".

##### **(b) SOA11 Voting**

Regulations by the Secretary of State for Communities and Local Government, namely the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 came into effect on 25 February 2014. Although these do not apply to a combined fire and rescue authority, it is recommended that:

the Authority Standing Orders be amended so that the following text is inserted at SOA11 as a new paragraph SOA 11 (6):

"Immediately after any vote is taken at a budget decision meeting of the Authority there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting".

Contact Officer: Katie Nellist (Democratic Services Officer) - 01296 744633

## **8. Recommendations from Committees**

### **Executive Committee – 4 February 2015**

#### **(a) Treasury Management Strategy 2015/16**

"That the Authority be recommended to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy for 2014/15".

The report considered by the Executive Committee is attached at Item 8(a)  
**(Pages 17 - 32)**

#### **(b) The Prudential Code, Prudential Indicators and Minimum Revenue Provision**

"That the Authority be recommended to approve the Prudential Indicators and the Minimum Revenue Provision Policy Statement".

The report considered by the Executive Committee is attached at Item 8(b)  
**(Pages 33 - 40)**

#### **(c) Medium Term Financial Plan (MTFP) 2015/16 to 2019/20**

"That the Authority be recommended to note and have due regard to the report and Statement of the Chief Finance Officer (Section 11)."

"Approve a Council Tax precept of £59.13 for a band D equivalent property (no increase from 2014/15) and the revenue budget as set out in Appendix 1".

"Approve the capital programme for 2015/16 as set out in Appendix 2 and the indicative capital programme for 2016/17 to 2019/20".

"Agree that the General Fund balance should be maintained at the current level (£3.7 million) and note the estimated movements in earmarked reserves as set out in Appendix 3".

The report considered by the Executive Committee is attached at Item 8(c)  
**(Pages 41 - 74)**

## **9. Annual Report on Regulation of Investigatory Powers Act 2000 (RIPA)**

To consider Item 9 **(Pages 75 - 90)**

**10. Emergency Services Mobile Communications Programme (ESMCP)**

To consider Item 10 (**Pages 91 - 94**)

**11. Pay Policy Statement 2015/16**

To consider Item 11 (**Pages 95 - 116**)

**12. Exclusion of Press and Public**

To consider excluding the public and press representatives from the meeting by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972, as Appendix 1 contains information relating to an individual; and Paragraph 2 of Part 1 of Schedule 12A of the Local Government Act 1972, as Appendix 1 contains information which is likely to reveal the identity of an individual; and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as Appendix 1 contains information relating to the financial or business affairs of any particular person (including the authority holding that information); and Paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972 as Appendix 1 contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings, and on those grounds it is considered the need to keep information exempt outweighs the public interest in disclosing the information, so that the meeting may consider the following matter:

Injury Awards: Final Report

**13. Injury Awards: Final Report**

To consider Item 13 (Appendix 1 exempt) (**Pages 117 - 122**)

**14. Date of next meeting**

To note that the next meeting of the Fire Authority will be held on Wednesday 10 June 2015 at 11.00am.

If you have any enquiries about this agenda please contact: Katie Nellist (Democratic Services Officer) – Tel: (01296) 744633 email: [knellist@bucksfire.gov.uk](mailto:knellist@bucksfire.gov.uk)

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Minutes of the meeting of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 17 DECEMBER 2014 at 10.00 am

**Present** Councillors Bendyshe-Brown, Busby (Chairman), Dransfield, Exon, Glover, Gomm (part), Huxley, Lambert, Morris, Reed, Schofield, Vigor-Hedderly, Watson, Webb and Wilson

**Officers:** M Jones (Chief Fire Officer), J Thelwell (Chief Operating Officer), G Britten (Director of Law and Governance), D Skinner (Director of Finance and Assets), L Swift (Director of People and Organisational Development) G Smith (Head of Service Development), M Osborne (Head of Service Transformation), J Parsons (Head of Service Delivery), M West (External Auditor), A Chart (Health and Safety Manager), S Gowanlock (Corporate Planning Manager), K Nellist (Democratic Services Officer), F Pearson (Group Manager Communications), E Andrews (Executive Assistant to Chief Fire Officer), G Barry (Information Governance and Compliance Manager), N Boustred (Group Manager Prevention and Protection Policy) and C Bell (Service Delivery Manager)

Five members of the Public

**Apologies:** Councillors Chilver and Mallen

**FA28**

### **MINUTES**

RESOLVED –

That the Minutes of the meeting of the Fire Authority held on 22 September 2014, be approved and signed by the Chairman as a correct record.

**FA29**

### **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman announced that:

- a) working with Executive Committee colleagues two senior appointments had been made, he was very pleased with the appointments and how the process had been carried out.
- b) on the 23 October he had attended an MP's workshop in the Speakers Quarters of Parliament along with the Chief Fire Officer and several key officers. Discussions with local MPs had been very productive and there was a chance that we might gain an adjournment debate. He was grateful to the Chief Fire Officer's Executive Assistant Elizabeth Andrews for arranging the visit and John Bercow MP for hosting it.
- c) on the 24 October he was delighted to host the annual Long Service Awards Ceremony which was an excellent evening recognising the dedication of staff and those who go beyond the call of duty for the Firefighters Charity. He thanked Democratic Services Officer, Katie Nellist for arranging the event.

- d) he would like to thank those members who attended the Members Workshop on 29 October. The presence of Sir Ken Knight greatly assisted the deliberations and he had asked the Chief Fire Officer to secure Sir Ken's attendance at future workshops.
- e) on the 20 November he delivered the annual report to Buckinghamshire County Council and reported that it had been well received.
- f) in partnership with the British Automatic Fire sprinkler Association, a conference had been hosted at the MK Dons stadium on 27 November. He and the Vice Chairman had been in attendance and he was particularly pleased to see how well the Authority was received by the industry as being a leader in this particular area.
- g) he was aware the Fire Minister had written to Chief Fire Officers about the values and behaviours demonstrated during recent events. The Chief Fire Officer had responded sharing the Authority's Carr Review submission and details of many other unsavoury and sinister messages that had occurred since that time. The Fire Minister had telephoned him to talk about this and other issues.
- h) he had been delighted to welcome everyone to the Authority's annual Christmas Carol Service on Wednesday 10 December at the Church of Christ the Cornerstone, Milton Keynes. He thanked everyone involved for a wonderful evening, especially the ceremonial party, and announced the collection raised £230, which would be divided between the church and the Firefighters Charity.
- i) the Chief Fire Officer would update the Authority on the recent strike and Fire Brigades Union (FBU) Demonstration:

The Chief Fire Officer advised Members that he and the Chief Operating Officer had endured the usual abusive behaviour on social media.

Matt Wrack, General Secretary of the FBU had announced that the FBU intended to raise a legal case against the Authority, and that the FBU would publish its QC's Opinion about the strike.

The protest march had taken place with much noise and threatening demeanour but having previously announced that a legal case would be launched, the Chief Fire Officer was not sure what the FBU was trying to achieve. The strike itself had little impact on the Service and several emergency responses had been undertaken.

Subsequently, the FBU had been successful in gaining a debate from an early day motion. The debate was held on 16 December



and the attempt to put down the government's proposals was defeated. The matter of the future of firefighter pensions seemed to be defined even if the dispute was not concluded.

**FA30**

## **RECOMMENDATIONS FROM COMMITTEES**

### **Executive Committee – 19 November 2014**

The Authority considered the recommendations of the Executive Committee held on 19 November 2014 relating to:

#### **(a) Members' Allowances**

"That the Authority be recommended to adopt the Scheme for Members' Allowances for 2015/16".

RESOLVED –

That the Scheme for Members' Allowances for 2015/16 be adopted.

#### **(b) Appointment of the Authority's future Chief Fire Officer/Chief Executive**

"That the Authority be recommended to approve the remuneration for the Chief Fire Officer/Chief Executive as £138,500 per annum on appointment".

RESOLVED –

That the remuneration for the Chief Fire Officer/Chief Executive as £138,500 per annum on appointment be approved.

**FA31**

## **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That the public and press be excluded from the meeting by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972, as the report contained information relating to an individual; and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as the report contained information relating to the financial or business affairs of a person; and on those grounds it was considered the need to keep information exempt outweighed the public interest in disclosing the information, so that the meeting could consider the following matter:

Appointment of the Chief Operating Officer/DCFO

(The Chief Fire Officer, Chief Operating Officer, Director of People and Organisational Development, Director of Legal and Governance and the Democratic Services Officer remained)

**FA32**

## **APPOINTMENT OF THE CHIEF OPERATING OFFICER/DEPUTY CHIEF FIRE OFFICER**

RESOLVED:

1. That Mick Osborne is selected as Chief Operating Officer/DCFO to commence in post on 7 February 2015.
2. That the remuneration for the post of Chief Operating Officer/DCFO at the date of appointment be £115,000 per annum.
3. That Mick Osborne becomes Chief Operating Officer/DCFO designate on 1 January 2015.

**FA33**

### **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That the public and press be excluded from the meeting by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as Annex to Appendix 1 contained information relating to the financial or business affairs of a person (other fire and rescue authorities); and on those grounds it was considered the need to keep information exempt outweighed the public interest in disclosing the information, so that the meeting could consider the following matter:

Interim report into injury compensation payments

It was agreed by all members that the authorities named in Appendix 1 would not be discussed.

(Public and Officers readmitted)

The Chairman congratulated Jason Thelwell on his recent appointment to Chief Fire Officer and Mick Osborne on his appointment to Chief Operating Officer/DCFO.

**FA34**

### **INJURY AWARDS: INTERIM REPORT**

The Director of Legal and Governance advised members that since the report had been completed on 24 November, eight further fire authorities had indicated they had an issue. A national meeting was to be held on 19 December 2014 for all affected fire authorities.

The Director of Legal and Governance had commissioned the interim report as there had been a delay in completion of the full report. This was because some of the issues were still unresolved as the investigation was pursuing lines of enquiry that related to current employees/former employees and also the role of Buckinghamshire County Council.

It was mentioned in the report that the accounts were approved in line with a verbal update from the Chief Finance Officer by the Overview and Audit Committee at its meeting on 24 September 2014, in fact the Audit opinion was issued at the full Authority meeting on 22 October 2014.

The Chairman of the Overview and Audit Committee and some members were increasingly concerned about the potential reputational risk to the Authority, as it was the only authority that had not had its accounts signed off due to this issue. Although the interim accounts were on the Authority's website, The Chairman of the Overview and Audit Committee asked the External Auditor to comment on this matter.

The External Auditor firstly apologised for not attending the Overview and Audit Committee meeting on 3 December 2014.

The External Auditor advised that he could not comment on the position of other fire and rescue authorities as to whether their accounts had been signed off. The External Auditor wanted to hold open the audit as not complete to ensure continued engagement because of the outstanding issues that still needed to be dealt with on the legalities of the potential reimbursement and on the investigation.

The Chief Fire Officer advised members that this was the only Authority to commission an investigation before the audit of accounts had been finalised. Other fire and rescue authorities had not declared their position until after their accounts had been signed off. There can be no further damage to the Authority's reputation from this; it is a technical issue and its rating as an Authority would not be affected by these events.

In answer to a question regarding how long the Authority can go with unsigned accounts, the External Auditor advised that the accounts could not be signed off until the issue had been resolved.

RESOLVED -

1. That the contents of the Injury Awards: Interim Report be noted.
2. That the correspondence from the Authority to the DCLG be noted.

## **FA35**

### **INTERPRETING THE ACCOUNTS: KEY FINANCIAL RATIOS**

The Director of Finance and Assets advised members that the initial analysis showed that the Authority was currently in a strong financial position.

The Authority had already taken action to strengthen its position further, by ensuring that no additional borrowing was required to fund the on-going capital programme. The ratios would strengthen as long-term borrowing was repaid in line with the maturity profile (there was currently no incentive to repay borrowing early due to the substantial early repayment premiums that would be incurred).

RESOLVED –

That the report be noted.

(Councillor Gomm left the meeting)

**FA36**

### **THAMES VALLEY FIRE CONTROL PROJECT**

The Vice Chairman advised members that the project should have 'cut over' (gone-live) on 10 December but this had not happened. There was to be a specially convened meeting on 19 December which would be attended by the Vice Chairman and Councillor Reed. Although technically not members of the project group until the go live date, the Vice Chairman and Councillor Reed would be pushing for an early implementation date.

The Head of Service Development also concurred that the project had not 'cut over' on 10 December due to on-going issues with BT. There was a new proposed revised draft project plan to cut over next year which would be given to members at the meeting on 19 December.

The Head of Service Development advised members that the main priority now was to maintain the control room function in Buckinghamshire up until the new cut over date. The Head of Service Development was confident that staff would be able to maintain the Buckinghamshire Control Room until a revised date was given. BT had now completed the work, and testing of the equipment was underway.

RESOLVED –

That the report be noted.

**FA37**

### **PROTECTION POLICY**

The Head of Service Delivery introduced the report and advised members that the Protection Policy had been reviewed and amended to take into account the Authority's requirement under the Regulatory Reform (Fire Safety) Order 2005, to enforce the provisions of the Order and to do so in accordance with the Regulators' Code.

The Policy was also designed to reinforce the Authority's strategy of encouraging and supporting business development through education and information coupled with light touch enforcement when necessary.

The Lead Member for Community Protection urged members to support this excellent evidence based policy, and advised the need to encourage businesses to come to Buckinghamshire and Milton Keynes and to encourage our own constituent authorities

to build safer buildings incorporating sprinkler systems and to encourage others to do the same.

RESOLVED –

That the Protection Policy be approved.

### **FA38**

#### **LGA PEER REVIEW CHALLENGE REPORT**

The Chairman advised members that he was disappointed with the report in that the initial feedback given was somewhat different from the completed final report.

The Chief Fire Officer agreed with the Chairman. The report found many things the Authority would have expected, but it did not look at how the Authority performed, how much it cost, and what the outcomes were for the citizens it served.

Other Lead Members also involved in the Peer Review process were disappointed that the initial feedback at the final meeting was not reflected in the final report.

The Authority thanked Group Manager Neil Boustred for all his hard work in organising the Peer Review.

RESOLVED –

That the LGA Fire Peer Challenge final report be noted.

### **FA39**

#### **PUBLIC SAFETY PLAN**

The Chief Fire Officer introduced the report advising members it was an evidential based report including a large consultative process and thanked officers for producing such an excellent report.

The Chief Operating Officer advised the Authority that the evidence showed that demand was falling and the configuration of stations needed to change. The Chief Operating Officer felt it was important to praise staff and encourage them to be part of moving this forward and determining their own future within the service. Change was needed and the Public Safety Plan showed over the next five years how the Authority could implement that change.

The Head of Service Transformation was delighted to present this report to the Authority as it set out the plans and proposals for the next five years, and demonstrated the Authority's ambition to remain one of the highest performing and innovative authorities in the country.

The consultation approach taken was agreed at the June Authority meeting and followed best practice. This included a

number of methods including public and staff focus groups, an online questionnaire and other direct forms of consultation with key stakeholders including representative bodies and even directly to local MPs which was unique.

Comprehensive feedback had been both received and analysed as contained within the appendices to the report, and members would also note the management responses to the feedback received.

The Head of Service Transformation thanked the Corporate Planning Manager Stuart Gowanlock for his hard work in bringing all these reports together and also the Lead Member for Community Protection for her assistance and contributions throughout the process.

The Lead Member for Community Protection thanked all the officers involved for an excellent report.

In answer to a question regarding the number of calls, the number of turn outs and the reduction in the number of firefighters, the Head of Service Transformation advised members that the number of calls had been declining, the trend was down while the population was increasing. Accidental dwelling fires had reduced and injuries as a result of those accidental dwelling fires was down by over 65%. The calls were reducing and accidental fires which were the most risky had been reduced, but it was too simplistic to compare the reduction in calls to the reduction in numbers of firefighters.

In answer to a question raised as to why the FBU in their submission to the consultation raised the subject of the senior officers' earnings (as this was already a matter of public record), the member wanted to be advised of the pay and conditions of the Fire Brigades Union's senior staff. The Chief Fire Officer advised that, whilst not a matter for the Authority, all trade unions are required by the Trade Union and Labour Relations Act to submit annual accounts and, to assist the member, this information would be placed in the Members' Library.

In answer to a question as to whether there was a more compact version of the plan that could be given to Parish Councils, the Head of Service Transformation advised that one would be emailed to members and placed in the Members' Library.

RESOLVED -

1. that the 2015-20 Public Safety Plan be adopted subject to the following modification – that the active consideration or pursuit of alternative service delivery models (proposal five at page 20 of the PSP shown at Annex 1) for core services i.e. those required to meet statutory duties, be excluded from the plan;

2. that officers be directed to proceed with the further development of proposals one to four specified at page 20 of the 2015-20 Public Safety Plan (Annex 1) having regard to the consultation feedback as they are progressed and undertake further consultations with stakeholders potentially affected by any specific changes arising from their implementation;
3. that the Chief Fire Officer be granted discretion to determine the sequencing and timing of the work required to further progress the proposals.

(Councillor Gomm re-joined the meeting)

#### **FA40**

#### **HEALTH AND SAFETY ANNUAL REPORT**

The Authority considered the Health and Safety annual report which detailed performance from 1 April 2013 to 31 March 2014 and in doing so, recognised that the Service was performing well.

The Health and Safety Manager advised members that the Authority had another very pleasing year with regard to safety performance, both operationally and support staff.

The statistics collated by the Department for Communities and Local Government (DCLG) regarding injuries to firefighters and operational crews showed the service had come out top for the least number of injuries possible in six out of the eight categories. The aim was to be top in all categories.

As a service the Authority's excellent record of safety had been maintained, particular throughout the periods of industrial action. So far through forty-six periods of strike action, there had only been one safety event which was minor vehicle damage; this was down to the commitment and professionalism of all staff that worked throughout the periods of industrial action.

Finally, the Health and Safety Manager gave special thanks to the Lead Member for Health and Safety, Councillor Schofield for his on-going support to the department, which was much appreciated.

Members wished to record their congratulations to all staff on an excellent safety performance.

RESOLVED –

That the annual Health and Safety Report 2013/14 be noted.

#### **FA41**

#### **DATE OF NEXT MEETING**

The Authority noted that the next meeting of the Fire Authority is to be held on Wednesday 18 February 2015 at 11am.

**FA42**

**THE CHIEF FIRE OFFICER'S RETIREMENT**

The Chairman paid tribute to the Chief Fire Officer who would be retiring before the next full Authority meeting and made a presentation on behalf of the Authority.

The Chief Fire Officer responded, offering his gratitude for the support shown by the Authority and stating his pride at having served the taxpayers of Buckinghamshire and Milton Keynes.

THE CHAIRMAN CLOSED THE MEETING AT 12.45pm

DRAFT



Report considered by the Executive Committee – 4 February 2015

# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Executive Committee
<b>DATE OF MEETING</b>	4 February 2015
<b>OFFICER</b>	David Skinner, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor Andy Dransfield
<b>SUBJECT OF THE REPORT</b>	<b>Treasury Management Strategy 2015/16</b>
<b>EXECUTIVE SUMMARY</b>	<p>This report is being presented as the Fire Authority is required to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy. These documents (Appendix A) all support the Medium Term Financial Plan (agenda item 7).</p> <p>The changes of note are:</p> <ol style="list-style-type: none"> <li>1. The Authority proposes to invest in enhanced money market funds (the current strategy only permits instant access money market funds). Use of these will help the Authority achieve a more optimal balance of liquidity and yield without compromising security.</li> <li>2. The Authority proposes that up to 10% of the portfolio can be invested with other local authorities for more than one year, up to a maximum of five years. This allows the Authority to lend at higher rates of interest to the highest rated counterparties.</li> <li>3. The Authority proposes to invest in Certificates of Deposit (CDs). This will allow access to additional investment terms and rates. It also improves liquidity as CDs can be traded in a secondary market (although it is envisaged CDs will be held to maturity unless there are significant changes in economic/local circumstances).</li> </ol>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<p>It is recommended that:</p> <p>the Authority be recommended to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy for 2014/15.</p>

<p><b>RISK MANAGEMENT</b></p>	<p>Making investments in the Authority’s own name means that the Authority bears the risk of any counterparty failure. This risk will be managed in accordance with the strategy and with advice from external treasury management advisors.</p> <p>The Director of Finance and Assets will act in accordance with the Authority’s policy statement; treasury management practices and CIPFA’s Standard of Professional Practice on Treasury Management. There are no direct staffing implications.</p> <p>All of the proposed changes will have an insignificant impact on the risk of counterparty failure. All deposits placed in accordance with the changes will still be made in line with the Creditworthiness Policy detailed in the body of the report.</p>
<p><b>FINANCIAL IMPLICATIONS</b></p>	<p>The proposed budget for 2015/16 is £100k. It is anticipated that the budget will be met. Detailed information is shown within Appendix A.</p>
<p><b>LEGAL IMPLICATIONS</b></p>	<p>The Authority is required by section 15(1) of the Local Government Act 2003 to have regard to the Department for Communities and Local Government Guidance on Local Government Investments; and by regulation 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146]to have regard to any prevailing CIPFA Treasury Management Code of Practice</p>
<p><b>HEALTH AND SAFETY</b></p>	<p>No direct impact.</p>
<p><b>EQUALITY AND DIVERSITY</b></p>	<p>No direct impact.</p>
<p><b>USE OF RESOURCES</b></p>	<p>The projected income has been factored into the Medium Term Financial Plan.</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p>Treasury Management Strategy and Policy Statements 2013/14  <a href="http://bucksfire.gov.uk/files/3814/0292/6941/TREASURYMANAGEMENTfeb14.pdf">http://bucksfire.gov.uk/files/3814/0292/6941/TREASURYMANAGEMENTfeb14.pdf</a></p> <p>Treasury Management Practices  <a href="http://www.bucksfire.gov.uk/NR/rdonlyres/FDA454EA-1735-4569-BE96-C1E3D0079A75/0/ITEM6TreasuryManagementPracticeandASep13andAnnexA.pdf">http://www.bucksfire.gov.uk/NR/rdonlyres/FDA454EA-1735-4569-BE96-C1E3D0079A75/0/ITEM6TreasuryManagementPracticeandASep13andAnnexA.pdf</a></p> <p>Department for Communities and Local Government Guidance on Local Government Investments (DCLG Guidance)  <a href="https://www.gov.uk/government/uploads/system/uplo">https://www.gov.uk/government/uploads/system/uplo</a></p>

	<p><a href="ads/attachment_data/file/320206/1501971.pdf">ads/attachment_data/file/320206/1501971.pdf</a></p> <p>This paper should also be read in conjunction with the paper "The Prudential Code, prudential indicators and minimum revenue provision"</p>
<b>APPENDICES</b>	<p>Appendix A – Treasury Management Policy Statement Treasury Management Strategy Statement and Annual Investment Strategy</p> <p>Appendix B – Provisional Counterparty List</p> <p>Appendix C – Prospects for Interest Rates</p>
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Linda Blunt</p> <p><a href="mailto:lblunt@bucksfire.gov.uk">lblunt@bucksfire.gov.uk</a></p> <p>01296 744404</p>

## **Appendix A – Treasury Management Policy Statement, Treasury Management Strategy Statement and Annual Investment Strategy**

### **Treasury Management Policy Statement**

This Authority defines its treasury management activities as:

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

This Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The investment policy objective for this Authority is the prudent investment of its treasury balances. The Authority's investment priorities are the security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA Code and DCLG guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

The Authority's borrowing objectives are to minimise the revenue costs of debt whilst maintaining a balanced loan portfolio. The Authority will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

### **Treasury Management Strategy Statement**

#### **Current Portfolio Position**

The Authority's treasury portfolio position as at 31 December 2014 comprised:

#### **Borrowing**

Fixed Rate Funding: £8.265m Average Rate: 4.59%

#### **Investments**

£20.722m Average Rate 1 April 2013 to 31 December 2014: 0.69%

It is anticipated that a number of large payments will be made before the end of the year. Therefore, projected interest receivable (see 'Prospects for Interest Rates' below) has been modelled on an average fund balance of £18.5m.

## **Prospects for Interest Rates**

For 2015/16, the Authority will continue with Capita (formerly known as Sector) as its external treasury management advisor. Capita's view of the prospects for interest rates can be seen in Appendix C.

Capita advise that the current benchmark rate of return on investments should be Base Rate (currently 0.50%), although the rate may be higher if the Authority is able and willing to commit funds for longer durations (up to one year). Using this benchmark figure would give an annual return of circa £92.5k on a balance of £18.5m (the total projected return for 2014/15 is circa £120k).

If the Annual Investment Strategy was to remain unchanged from 2014/15, the Authority projects that it could achieve an average rate of 0.59%, which would give an annual return of circa £109k on a balance of £18.5m.

By adopting use of enhanced money market funds, and extending the investment period for local authority investments as detailed within the Annual Investment Strategy (AIS) the Authority projects that it could achieve an average rate of 0.61%, which would give an annual return of circa £113k on a balance of £18.5m.

## **Borrowing Strategy**

The Authority's borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio
- To manage the Authority's debt maturity profile, leaving no one future year with a disproportionate level of repayments

No additional borrowing is forecast to take place during the duration of the medium term financial plan.

## **Investment Strategy**

This Authority maintains investments that are placed with reference to cash flow requirements. Investment of the Authority's funds is in accordance with the Annual Investment Strategy.

## **Debt Rescheduling**

The potential for debt rescheduling is monitored in light of interest rate movements.

Any rescheduling will be in accordance with the borrowing strategy. The reasons for rescheduling include:

- The generation of cash savings at minimum risk
- Fulfilment of the borrowing strategy
- Enhancement of the maturity profile of the borrowing portfolio

Due to the current level of penalties on the early repayment of borrowing, it is not expected that any debt will be restructured over the medium term.

## **Annual Investment Strategy (AIS)**

A prudent investment policy has two objectives (as defined by the DCLG guidance):

- achieving first of all security (protecting the capital sum from loss);
- and then liquidity (keeping the money readily available for expenditure when needed);
- once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with those priorities.

## **Investment Policy**

In accordance with guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Authority has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita in producing its colour coding which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

## **Creditworthiness Policy**

This Authority applies the creditworthiness service provided by Capita. This service employs a sophisticated modelling approach utilising credit ratings from the three

main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No colour not to be used

The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

As well as continuing to invest in AAA rated money market funds (MMFs), the Authority also proposes to invest in AAA rated enhanced money market funds (EMMFs) during the year. An EMMF provides the same level of security as a MMF, but whilst MMFs provide instant access to funds, EMMFs require a notice period (typically seven days) before funds can be drawn. EMMFs pay a slightly higher interest rate and will be a useful tool for balancing liquidity and yield whilst maintaining the security of the deposit.

The Authority also proposes to invest in certificates of deposit (CDs). CDs are a negotiable form of fixed deposit, the difference being that you are not obligated to hold the CD to maturity, thus providing added liquidity to the Authority's investment portfolio. CDs create no additional risk as they are issued by UK and international banks and Building Societies and the Authority will invest only in CDs offered by counterparties on the lending list as determined by Capita's creditworthiness policy (as detailed earlier in this section). Although the CDs will be limited to the same counterparties, it may open up rates or durations not offered by those counterparties under a traditional fixed-term deposit.

### **Country Limits**

In 2014/15, the Authority determined that it would not only use approved counterparties based within the United Kingdom during the year but allowed a limited number of counterparties from outside of the UK to be used. Although none of these counterparties were used during 2014/15, these will remain on the lending list for 2015/16. The primary purpose of this is not to increase yield, but to provide additional diversity to the portfolio to effectively manage risk. A number of non-UK banks are ranked higher than some of the UK banks on the Authority's current counterparty list. A list of the proposed counterparties is shown in Appendix B. Although Capita advise that investments can be placed with some of the counterparties for longer than 100 days, the Authority proposes to limit the duration of all non-UK investments to 100 days.

### **Counterparty Limits**

As per the 2014/15 AIS, the Authority has determined that the maximum balance that can be invested with a single counterparty at any point in time will be no more than 30% of the portfolio, up to a limit of £5 million.

The one exception to this limit in the 2015/16 AIS will continue to be Lloyds, where the maximum balance that can be invested will be a limit of £7.5 million. Of this £7.5 million, no more than £5 million will be invested in non-instant access (call) accounts.

The rationale for this is that Lloyds are the Authority's main banking provider, and as part of the contract will pay credit interest on all balances at a rate of Base Rate minus 0.10% (currently giving an effective rate of 0.40%). This means that:

- A higher rate can be achieved than on most other instant-access accounts
- The staff time taken to move money between our main bank account and other instant access account is reduced
- The banking charges associated with the movement of the money between accounts is reduced



- The additional risk exposure to the Authority is minimal as:
  - Lloyds are part nationalised and enjoy significant support from the Government
  - All amounts over the current £5 million limit would be available for withdrawal immediately should circumstances require

### **Investment Security**

Investments are defined as being in one of two categories:

- Specified investments – these are investments with high security and high liquidity. All specified investments are in sterling and have a maturity of no more than one year. They will be with the UK government, a local authority, a parish council or with an investment scheme or body of “high credit quality” (as judged against the Creditworthiness Policy detailed earlier in this paper)
- Non-specified investments – any type of investment that does not meet the specified investment criteria. A maximum of 10% will be held in aggregate in non-specified investments i.e. the Authority may invest funds with other Local Authorities for longer than 364 days – up to a maximum of five years as denoted by the yellow banding on the Capita creditworthiness policy detailed earlier in this paper. Local authorities are Government backed.

### **Investment Training**

Relevant training and updates will be provided to relevant staff by the external treasury management advisors. This will be supplemented by additional training from CIPFA where necessary.

### **Investment of Money Borrowed in Advance of Need**

The Authority does not currently have any money that has been borrowed in advance of need. No further borrowing is planned over the medium term.

### **Investment Liquidity**

In consultation with external treasury advisors, the Authority will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

## Appendix B – Provisional Counterparty List

This list is based on information provided by Capita as at January 2015. Please note that all colours indicated refer to Capita's creditworthiness policy (see Appendix A):

### UK Based Counterparties

<u>Country</u>	<u>Counterparty</u>	<u>Maximum Duration</u>
UK	Abbey National Treasury Services	Red - 6 mths
UK	Bank of New York Mellon (International) Ltd	Orange - 12 mths
UK	Barclays Bank plc	Red - 6 mths
UK	Cater Allen	Red - 6 mths
UK	Citibank International PLC	Green - 100 days
UK	Close Brothers	Green - 100 days
UK	Credit Suisse International	Red - 6 mths
UK	Goldman Sachs International	Green - 100 days
UK	HSBC Bank plc	Orange - 12 mths
UK	MBNA Europe Bank	Green - 100 days
UK	Merrill Lynch International	Red - 6 mths
UK	Morgan Stanley & Co International plc	Green - 100 days
UK	Santander UK PLC	Red - 6 mths
UK	Standard Chartered Bank	Red - 6 mths
UK	Sumitomo Mitsui Banking Corporation Europe Ltd	Green - 100 days
UK	UBS Ltd	Red - 6 mths
UK	Nationwide BS	Red - 6 mths
UK	Debt Management Office	Yellow - 60 mths
UK	Other Local Authorities	Yellow - 60 mths
UK*	Lloyds Banking Group	Blue - 12 mths
UK*	Royal Bank of Scotland Group	Blue - 12 mths

\* Indicates that the counterparty is nationalised/part nationalised

The Authority will also have the ability to invest in AAA rated money market funds (MMFs) and enhanced money market funds. Enhanced money market funds (EMMFs) are money market funds with a fixed notice period for the date of return and whilst still achieving the security of AAA money market funds may achieve a slightly higher rate of interest.

AAA MMFs the Authority currently holds accounts with are CCLA, Igins and Goldman Sachs, and currently we only have balances held in the CCLA MMF. Proposed AAA EMMFs would be at least one of Insight Liquidity Plus Fund, Ignis Short Duration Cash Fund, Payden Sterling Reserve Fund, Federated Sterling Cash Plus Fund and Aberdeen Sterling Investment Cash Fund, Henderson Institutional Cash Fund, Royal London Asset Management Cash Plus, Blackrock Ultra Short Bond Fund and TwentyFour Senior Secured Bond Fund.

Non-UK Based Counterparties

Country	Counterparty	Maximum Duration (as rated by Capita)
Germany	Deutsche Bank AG	Green - 100 days
Germany	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Green - 100 days
Germany	Landesbank Berlin AG	Green - 100 days
Germany	Landesbank Hessen-Thueringen Girozentrale	Green - 100 days
Germany	Landwirtschaftliche Rentenbank	Orange - 12 mths
Sweden	Nordea Bank AB	Orange - 12 mths
Sweden	Skandinaviska Enskilda Banken AB	Red - 6 mths
Sweden	Svenska Handelsbanken AB	Orange - 12 mths
Sweden	Swedbank AB	Red - 6 mths

As noted in Appendix A, the duration of all non-UK investments will be limited to 100 days, even where Capita advise that a longer duration is acceptable.

There are a number of other non-UK based counterparties that have not been included on the list, as either the rates offered are significantly lower than available elsewhere, or that the counterparty is unlikely to take deposits of the size the Authority would be able to offer.

Counterparties Rated 'No Colour' by Capita

As noted in Appendix A, sole reliance will not be placed on the use of Capita ratings. The Authority will also use market data and market information, information on government support for banks and the credit ratings of that supporting government. The Authority proposes to continue to use the following UK building societies rated as 'no colour' to its counterparty list. The rationale for this is:

- Building societies have an unparalleled record of investor safety. No investor (retail or wholesale) has lost money invested with a building society at least since the Second World War
- All building societies are "credit institutions" for the purposes of the EU Banking Directives, and are required to meet the same standards for capital adequacy and risk control as UK and other EU banks
- Where occasionally a society has encountered difficulties, a merger with a stronger society has ensured that both retail savers and wholesale depositors experience no uncertainty or interruption to service

The purpose of keeping these additional counterparties on The Authority's Counterparty List is to improve the liquidity and cash management of the portfolio. The building societies listed below generally offer more flexibility with their fixed term deposits, allowing maturities on selected days and less than one month in duration. This will allow the Authority greater flexibility to manage ad-hoc large payments, such as retirement lump sums, which may only become known a few weeks in advance of payment.

The following building societies that the Authority proposes to use all have group assets of at least £10billion. The maximum duration for investments will be limited to 100 days.

<b>Country</b>	<b>Counterparty</b>	<b>Maximum Duration (as rated by Capita)</b>
UK	Coventry Building Society	No colour - 0 mths
UK	Leeds Building Society	No colour - 0 mths
UK	Skipton Building Society	No colour - 0 mths
UK	Yorkshire Building Society	No colour - 0 mths

## Appendix C – Prospects for Interest Rates

The Authority will continue to use Capita as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The following table gives the Capita central view:

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2014	0.50	2.50	3.90	3.90
Mar 2015	0.50	2.70	4.00	4.00
Jun 2015	0.75	2.70	4.10	4.10
Sep 2015	0.75	2.80	4.30	4.30
Dec 2015	1.00	2.90	4.40	4.40
Mar 2016	1.00	3.00	4.50	4.50
Jun 2016	1.25	3.10	4.60	4.60
Sep 2016	1.25	3.20	4.70	4.70
Dec 2016	1.50	3.30	4.70	4.70
Mar 2017	1.50	3.40	4.80	4.80
Jun 2017	1.75	3.50	4.80	4.80
Sep 2017	2.00	3.50	4.90	4.90
Dec 2017	2.25	3.50	4.90	4.90
Mar 2018	2.50	3.50	5.00	5.00

The following paragraphs provide Capita's commentary on the current economic situation (*due to the potentially volatile nature of the economy, this section will be updated further before presentation to the CFA*).

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and Public Works Loan Board (PWLB) rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Over time, an increase in investor confidence in world economic recovery is also likely to compound this effect as recovery will further encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the Eurozone debt crisis, or a break-up of the Eurozone, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where Eurozone institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the Eurozone will be tepid for the next couple of years and some Eurozone countries experiencing low or negative growth, will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose

confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the Eurozone debt crisis. While the European Central Bank (ECB) has adequate resources to manage a debt crisis in a small Eurozone country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to Eurozone politicians.

Downside risks currently include:

- The situation over Ukraine poses a major threat to Eurozone and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world.
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring considerable government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti-austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This

is a return to a similar environment to the one which led to the 2008 financial crisis.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Executive Committee
<b>DATE OF MEETING</b>	4 February 2015
<b>OFFICER</b>	David Skinner, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor Andy Dransfield
<b>SUBJECT OF THE REPORT</b>	<b>The Prudential Code, Prudential Indicators and Minimum Revenue Provision</b>
<b>EXECUTIVE SUMMARY</b>	<p>This report is being presented as the Prudential Indicators (Appendices A and B) and Minimum Revenue Provision policy statement (Appendix C) are required to be approved by the Fire Authority and to support the Medium Term Financial Plan (MTFP).</p> <p>A review of the Balance Sheet indicates that the Authority is currently in an over-borrowed position. Due to prohibitive penalties the early repayment of borrowing is not an option. The Authority has no plans for additional borrowing in the foreseeable future, according to the current MTFP.</p>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<p>It is recommended that:</p> <ol style="list-style-type: none"> <li>1. the Authority be recommended to approve the Prudential Indicators; and</li> <li>2. the Authority be recommended to approve the Minimum Revenue Provision policy statement.</li> </ol>
<b>RISK MANAGEMENT</b>	<p>The Prudential Code was established to ensure that capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. The indicators presented here demonstrate that the current plans for capital investment meet these criteria and present an acceptable level of risk to the Authority.</p> <p>Minimum revenue provision is a statutory charge to the General Fund, which ensures that an Authority has sufficient cash balances to repay borrowing upon maturity, reducing the refinancing risk.</p> <p>There are no direct staffing implications.</p>
<b>FINANCIAL</b>	The decision on the prudential indicators sets out the financial limits within which the Authority will operate

<b>IMPLICATIONS</b>	<p>in future years.</p> <p>The minimum revenue provision is a statutory charge against the General Fund, estimated at £311k for 2015/16.</p>
<b>LEGAL IMPLICATIONS</b>	<p>The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, SI 2003/3146 make provision for capital finance and accounts under the Local Government Act 2003 requiring the authority to have regard to the 'Prudential Code for Capital Finance in Local Authorities' when determining, under the Local Government 2003 Act, how much money it can afford to borrow; and require the Authority to determine for the current financial year an amount of minimum revenue provision which it considers to be prudent.</p>
<b>HEALTH AND SAFETY</b>	No impact.
<b>EQUALITY AND DIVERSITY</b>	No impact.
<b>USE OF RESOURCES</b>	<p>The impact of the Prudential Code will allow the Authority to make informed choices between revenue and capital financing of procured services, to encourage invest to save schemes and will only allow capital investment to proceed where the Authority can fund projects within prudential limits.</p> <p>Making sufficient minimum revenue provision ensures that when borrowing matures, cash is available to make the repayment. This ensures that the Authority does not need to borrow additional money to repay existing loans.</p>
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	The draft medium term financial plan 2015/16-2019/20 (final to be approved February 2015)
<b>APPENDICES</b>	<p>Appendix A – Prudential Indicators</p> <p>Appendix B – Summary Table of Prudential Indicators</p> <p>Appendix C – Minimum Revenue Provision Policy Statement</p>
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Linda Blunt</p> <p><a href="mailto:lblunt@bucksfire.gov.uk">lblunt@bucksfire.gov.uk</a></p> <p>01296 744404</p>

## Appendix A – Prudential Indicators

### 1.0 Indicators for Affordability

#### 1.1 The ratio of financing costs to net revenue stream

This indicator measures the percentage of the net revenue funding used to finance external debt. In spite of falling funding levels this indicator is projected to remain stable in the medium term. This is due to the reducing minimum revenue provision charge, repayment of borrowing and no new additional borrowing planned over the medium term:

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Ratio of financing costs to net revenue stream	2.0%	2.0%	2.1%	1.9%	2.0%

#### 1.2 The incremental impact of capital investment decisions on the council tax

This indicator measures the impact of any additional (or reduction in) financing costs on the council tax. The amount is forecast to reduce as money is set aside to reduce the capital financing requirement annually and no future borrowing is planned over the medium term:

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
The incremental impact of capital investment decisions on the council tax	-£0.05	-£0.04	-£0.05	-£0.05	-£0.04

### 2.0 Indicators for Prudence

#### 2.1 Gross borrowing and the Capital Financing Requirement

The table below shows gross borrowing and the capital financing requirement (CFR). The Authority should ensure that gross borrowing does not, except in the short term, exceed the CFR. Gross borrowing will remain at £8.265m for the majority of 2015/16, although £515k will be repaid in March 2016. A further £368k will be repaid in May 2016. The figures shown below indicate the maximum level of borrowing during the year (i.e. repayments will reduce the limit for the following year):

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Gross borrowing (£000)	8,265	8,265	8,265	7,750	7,382
Capital financing requirement (£000)	8,669	8,334	8,010	7,699	7,402

### **3.0 Indicators for Capital Expenditure**

#### **3.1 Capital Expenditure**

This indicator shows the expected level of capital expenditure for future years:

<b>Indicator</b>	<b>Actual 2013/14</b>	<b>Projected 2014/15</b>	<b>Estimate 2015/16</b>	<b>Estimate 2016/17</b>	<b>Estimate 2017/18</b>
Capital expenditure (£000)	939	2,206	8,577	1,600	1,600

#### **3.2 Capital Financing Requirement (CFR)**

The CFR reflects the Authority's underlying need to borrow. This figure is predicted to reduce in future years, as revenue is set aside each year to repay borrowing when it matures, and no additional borrowing is planned in the medium term. The CFR should be looked at in relation to gross borrowing, as detailed in Section 2.1:

<b>Indicator</b>	<b>Actual 2013/14</b>	<b>Projected 2014/15</b>	<b>Estimate 2015/16</b>	<b>Estimate 2016/17</b>	<b>Estimate 2017/18</b>
Capital financing requirement (underlying need to borrow for a capital purpose) (£000)	8,669	8,334	8,010	7,699	7,402

### **4.0 Indicators for External Debt**

#### **4.1 Authorised Limit**

This is the maximum limit on borrowing and other long-term liabilities (currently limited to the finance lease at Gerrards Cross). This amount cannot be exceeded without approval from the Fire Authority:

<b>Indicator</b>	<b>Actual 2013/14</b>	<b>Projected 2014/15</b>	<b>Estimate 2015/16</b>	<b>Estimate 2016/17</b>	<b>Estimate 2017/18</b>
Authorised limit for borrowing (£000)	8,265	8,265	8,265	7,750	7,382
Authorised limit for other long-term liabilities (£000)	1,873	1,826	1,779	1,732	1,685
Authorised limit for external debt (£000)	10,138	10,091	10,044	9,482	9,067

## 4.2 Operational Boundary

This indicator shows the most likely estimate of debt for future years:

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Operational boundary for borrowing (£000)	8,265	8,265	8,265	7,750	7,382
Operational boundary for other long-term liabilities (£000)	1,873	1,826	1,779	1,732	1,685
Operational boundary for external debt (£000)	10,138	10,091	10,044	9,482	9,067

The actual external debt for the year ending 31 March 2014 was **£10.138m**.

## 5.0 Indicators for Treasury Management

### 5.1 Adoption of CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectorial Guidance Notes

The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, and a recognition of the pre-existing structure of the Authority's borrowing and investment portfolios. This guidance will be adopted for 2015/16.

### 5.2 Upper limit on fixed interest rate exposures

This indicator shows the Authority's upper limit of the net exposure to fixed interest rates. Currently all borrowing is at a fixed rate of interest:

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Upper limit on fixed interest rate exposures	100%	100%	100%	100%	100%

### 5.3 Upper limit on variable interest rate exposures

This indicator shows the Authority's upper limit of the net exposure to variable interest rates:

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Upper limit on variable interest rate exposures	20%	20%	20%	20%	20%

### 5.4 Maturity structure of fixed rate borrowing

This shows the repayment profile of fixed rate borrowing. All loans are repayable on maturity:

Indicator	Actual 2013/14	Projected 2014/15		Estimate 2015/16		Estimate 2016/17		Estimate 2017/18	
	Actual Maturity	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit
Under 12 months	0%	0%	6%	0%	5 %	0%	0 %	0%	0%
12 months and within 24 months	6%	0%	4%	0%	0%	0%	8%	0%	0%
24 months and within five years	12%	0%	7%	0%	8%	0%	0%	0%	8%
five years and within 10 years	20%	0%	20%	0%	21%	0%	22%	0%	27%
10 years and within 20 years	28%	0%	29%	0%	30%	0%	32%	0%	19%
20 years and within 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%
30 years and within 40 years	26%	0%	26%	0%	36%	0%	38%	0%	38%
40 years and above	8%	0%	8%	0%	0%	0%	0%	0%	0%

### 5.5 Total principal sums invested for periods longer than 364 days

The purpose of this indicator is for the Authority to contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested. The Authority may seek to invest for periods longer than 364 days with other Local Authorities. This will be kept under review in light of economic conditions and advice from treasury management advisors:

Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Total principal sums invested for periods longer than 364 days (£000)	0	0	2,000 (max)	2,000 (max)	2,000 (max)

### 5.6 Credit Risk

The duration of any investment with a counterparty will be restricted as advised by our treasury management advisors. The advisors will base their assessment of credit risk based on credit ratings provided by the major agencies, as well as reviewing credit default swaps (a proxy measure for the markets perceived risk of default).

## Appendix B – Summary Table of Prudential Indicators

For reference, the following table summarises the key indicators detailed in Appendix A in a single table:

	Indicator	Actual 2013/14	Projected 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
<b>Indicators for Affordability</b>						
1.1	Ratio of financing costs to net revenue stream	2.0%	2.0%	2.1%	1.9%	2.0%
1.2	The incremental impact of capital investment decisions on the council tax	-£0.05	-£0.04	-£0.05	-£0.05	-£0.04
<b>Indicators for Prudence</b>						
2.1	Gross borrowing (£000)	8,265	8,265	8,265	7,750	7,382
<b>Indicators for Capital Expenditure</b>						
3.1	Capital expenditure (£000)	939	2,206	8,577	1,600	1,600
3.2	Capital financing requirement (£000)	8,669	8,334	8,010	7,699	7,402
<b>Indicators for External Debt</b>						
4.1	Authorised limit for external debt (£000)	10,138	10,091	10,044	9,482	9,067
4.2	Operational boundary for external debt (£000)	10,138	10,091	10,044	9,482	9,067
<b>Indicators for Treasury Management</b>						
5.2	Upper limit on fixed interest rate exposures	100%	100%	100%	100%	100%
5.3	Upper limit on variable interest rate exposures	20%	20%	20%	20%	20%
5.5	Total principal sums invested for periods longer than 364 days (£000)	0	0	0	0	0

The actual external debt for the year ending 31 March 2014 was £10.138m. The projected external debt for the year ending 31 March 2015 is £10.091m (both figures include the finance lease liability).

The following indicators are not shown above:

- 5.1 – the Authority has adopted CIPFA’s Treasury Management Code for 2015/16
- 5.4 – details of the maturity structure of fixed rate borrowing (see Appendix A)
- 5.6 – narrative regarding credit risk (see Appendix A)

## **Appendix C – Minimum Revenue Provision (MRP) Policy Statement**

The two methods for calculating prudent provision are set out below and were approved by members in 2008/09. Regulation 28 of the 2003 Regulations (as amended by regulation 4 of the 2008 Regulations) requires a local authority to calculate for the current financial year an amount of MRP which it considers to be prudent. The Secretary of State recommends that, for the purposes of regulation 4 the prudent amount of provision should be determined in accordance with one of four options, two of which were agreed by members in 2008/09 and are outlined below.

The broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits (asset life).

### **(a) CFR Method**

MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial years which, in the case of this Authority is currently projected at £135k for 2015/16. This is the method of calculation applied to all capital assets for all borrowing taken out prior to 31 March 2008.

### **(b) Asset Life Method**

Since 1 April 2008, where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset, based on an equal instalment method. This amount is projected to be £176k for 2015/16.

Where assets have been purchased utilising Capital grants or Revenue Contributions no MRP calculation is required. Only assets purchased utilising borrowing require an MRP charge.

The asset life method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined by the Director of Finance and Assets & Treasurer, with regard to the statutory guidance and advice from professional valuers.



Report considered by the Executive Committee – 4 February 2015



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Executive Committee
<b>DATE OF MEETING</b>	4 February 2015
<b>OFFICER</b>	David Skinner, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor Andy Dransfield
<b>SUBJECT OF THE REPORT</b>	<b>Medium Term Financial Plan (MTFP) 2015/16 to 2019/20</b>
<b>EXECUTIVE SUMMARY</b>	<p>This main report (Annex A) presents the proposed revenue and capital Medium Term Financial Plan (MTFP) for the financial years 2015/16 to 2019/20.</p> <p>The provisional settlement was announced on 18 December 2014 and is included in the funding assumptions for government grant funding, business rates and council tax receipts. Final confirmation is expected in February 2015.</p> <p>All assumptions are detailed in section 5.7 of the report and are based on information received to date.</p> <p>Appendix 1 shows the base budget for 2014/15 with adjustments made for savings and growth to give the position for each future year. The savings and growth lines match the totals for those bids scrutinised by officers, Strategic Management Board and the Chair and Vice Chair of the Authority and the Chair of the Overview and Audit Committee at the challenge sessions held on 27 October 2014 and 13 January 2015.</p> <p>Appendix 2 shows the latest summary of the capital programme for 2015/16 and an indicative position for the following four years.</p> <p>The estimated reserves statement at Appendix 3 shows the expected movements required to set a balanced budget and sustain the financial plan in the medium term given the information available to date.</p> <p>Appendix 4 shows the detailed breakdown of council tax and business rates funding.</p> <p>Appendix 5 summaries the funding forecast and analyses the amounts confirmed and the potential risk of variation on the amounts still to be confirmed.</p> <p>Annexes B and C are provided for additional background information and insight. Annex B analyses the key financial ratios of the Authority</p>

	against the other combined fire authorities. Annex C sets out the economic outlook and forecasts for locally financed current expenditure.
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<p>It recommended that:</p> <p>the Authority be recommended to:</p> <ol style="list-style-type: none"> <li>1. Note and have due regard to the report and Statement of the Chief Finance Officer (see section 10).</li> <li>2. Approve a Council Tax precept of £59.13 for a band D equivalent property (no increase from 2014/15) and the revenue budget as set out in Appendix 1.</li> <li>3. Approve the capital programme for 2015/16 as set out in Appendix 2 and the indicative capital programme for 2016/17 to 2019/20.</li> <li>4. Agree that the General Fund balance should be maintained at the current level (£3.7 million) and note the estimated movements in earmarked reserves as set out in Appendix 3.</li> </ol>
<b>RISK MANAGEMENT</b>	Management of our Financial resources is a key risk to the Authority. By projecting forward and monitoring our financial plans, we are in a better position to avoid and mitigate the risk of adverse financial consequences.
<b>FINANCIAL IMPLICATIONS</b>	All financial implications are shown in the main body of the report.
<b>LEGAL IMPLICATIONS</b>	<p>The Local Government Act 2003 gives the responsible finance officer, namely the Chief Finance Officer of the Combined Fire Authority under s112 of the Local Government Finance Act 1988, the responsibility to report to Members of the Authority on their assessment of the robustness of the estimates used within the budget and on the adequacy of reserves.</p> <p>Members must take account of the advice of the Chief Finance Officer in respect of the above and the highlighted associated risks before considering the recommendations as set out in the report.</p>
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	The Medium Term Financial Plan, including capital and revenue budgets, identifies the financial resources required projected into the future based on the

	<p>delivery of specific aims and objectives of the Authority as set out in the Public Safety Plan (PSP).</p> <p>Members, Senior Management Board and many staff have been involved in agreeing priorities and the budget setting process over the forthcoming months.</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p>Medium Term Financial Plan (MTFP) 2014/15 to 2017/18 – Fire Authority, 19 February 2014:</p> <p><a href="http://bucksfire.gov.uk/files/3814/0734/4977/ITEM8MediumTermFinancialPlan201415to201718.pdf">http://bucksfire.gov.uk/files/3814/0734/4977/ITEM8MediumTermFinancialPlan201415to201718.pdf</a></p>
<p><b>APPENDICES</b></p>	<p>Annex A – Medium Term Financial Plan (MTFP) 2015/16 to 2019/20</p> <ul style="list-style-type: none"> <li>Appendix 1 – MTFP Budget Model</li> <li>Appendix 2 – Capital Programme Summary</li> <li>Appendix 3 – Estimated Reserve Levels</li> <li>Appendix 4 – Council Tax and Business Rates Funding</li> <li>Appendix 5 – Funding Forecasts and Potential Risks</li> </ul> <p>Annex B – Key Financial Ratios</p> <p>Annex C – Economic Outlook and Locally Financed Current Expenditure</p>
<p><b>TIME REQUIRED</b></p>	<p>30 minutes.</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Mark Hemming</p> <p><a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a></p> <p>01296 744687</p>

## **Annex A - Medium Term Financial Plan (MTFP) 2015/16 to 2019/20**

### **1. Introduction**

- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2015/16 to 2019/20. Members are asked to consider and approve the 2015/16 budget and note the indicative budgets for the following four years.
- 1.2. The MTFP is closely linked to the Public Safety Plan (PSP) and Corporate Plan. The PSP sets out our strategic approach to the management of risk in the communities we serve. The Corporate Plan sets out how we intend to equip and develop our organisation and its people to meet the challenges that we face. The MTFP details the resources available to facilitate these plans and how the plans contribute to reducing future operating costs.
- 1.3. As part of the Fire Authority's Terms of Reference and MTFP, the Authority reviews and sets a balanced budget each year in line with corporate priorities. The MTFP is expressed as a detailed annual budget for the first year, with outline indicative budgets for the following four years (increased from three years in order to align with the five-year PSP and Corporate Plan).
- 1.4. Under Section 25 of the Local Government Act 2003 the Chief Finance Officer (as S.112 Chief Finance Officer of the Local Government Finance Act 1988) is required to report to Members on:
  - 1.4.1. The robustness of the estimates made for the purposes of the calculations of the budget
  - 1.4.2. The adequacy of the proposed financial reserves
- 1.5. The Local Government Act 2003 requires that Members have regard to the report in making their decisions (see section 10).
- 1.6. Sections 32 and 43 of the Local Government Finance Act 1992 also require precepting authorities to have regard to the level of reserves for meeting estimated future expenditure when calculating the net budget requirement.

### **2. Local Government Finance Settlement 2015/16**

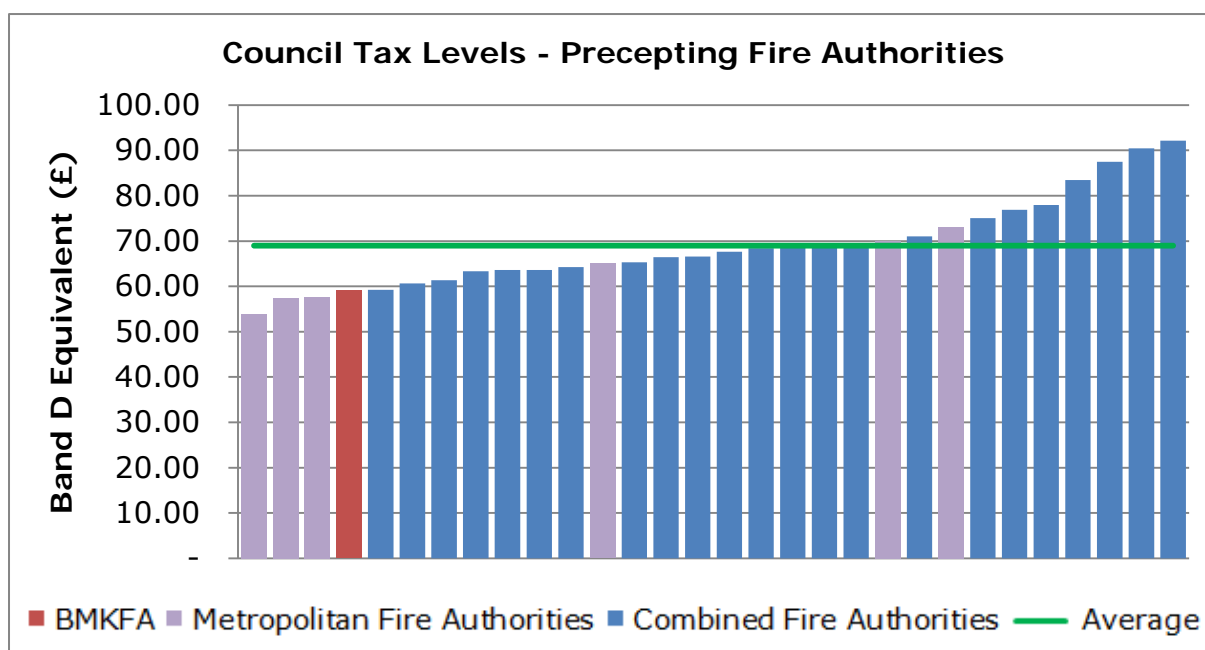
- 2.1. On 18 December 2014, the Minister for Local Government, Kris Hopkins MP announced the provisional Local Government Finance Settlement for 2015/16.
- 2.2. The headline figure announced by the Government shows an overall reduction in spending power of 1.8% (1.6% if transformation funding is included). The Government's methodology for calculating spending power includes locally raised council tax, settlement funding, some ring-fenced grants, and pooled budgets with the NHS.
- 2.3. An alternative measure used by our external advisors measures spending power only including resources that are not ring-fenced i.e. locally-raised council tax and settlement funding. On this measure the reduction is 6.1% (excluding the Greater London Authority).
- 2.4. From 2014/15 to 2015/16, BMKFRS will experience a total spending power reduction of 2.13%. Due to the funding available to BMKFRS this reduction is

the same regardless of which of the methods stated in sections 2.2 and 2.3 is used.

### 3. Local and Central Funding

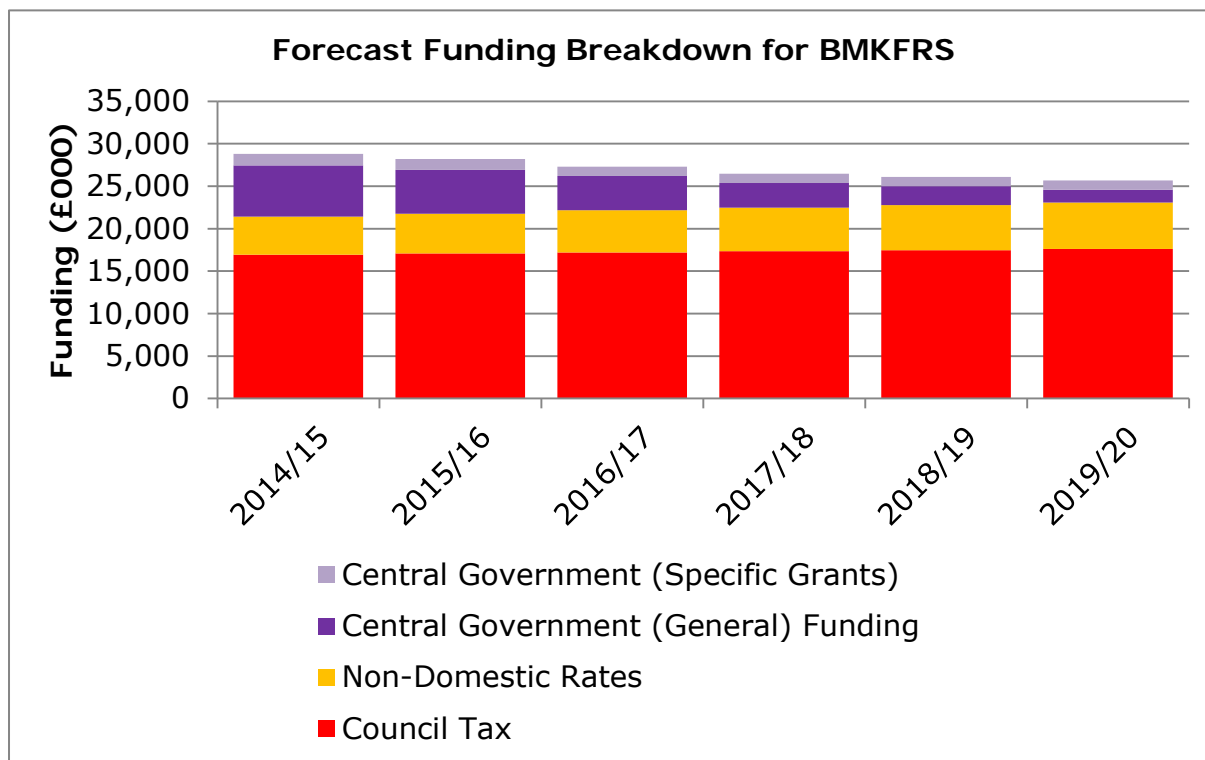
- 3.1. The Authority has frozen council tax in every year from 2010/11 to 2014/15. This was despite having the option to increase council tax by up to £5.00 (equivalent to an 8.46% rise) in 2013/14 without the need to undertake a local referendum.
- 3.2. The Authority currently sets a band D equivalent precept of £59.13 per annum (approx. £1.13 per week). This is significantly below the national average and is the lowest precept of any combined fire authority. This is illustrated in chart A1.

Chart A1 – Council Tax Levels – Precepting Fire Authorities



- 3.3. Nationally, fire authorities have received cuts of 20% between 2010/11 and 2014/15 in the amount of funding received from Central Government. Due to the funding formula this Authority has received cuts of 26% over the same period.
- 3.4. The level of grant received from Central Government that the Authority receives is forecast to continue to decrease. This will place an ever increasing reliance on local funding i.e. council tax and business rates (NDR). Chart A2 shows the actual breakdown of funding received for 2014/15, and the forecast levels up to 2019/20.
- 3.5. When considering council tax and NDR, the Authority is only able to directly determine the amount of council tax received, which is done by determining the precept to be levied to the billing authorities. As the level of Central Government grant decreases, decisions about the level of precept to levy become even more critical to the financial position of the Authority.

Chart A2 – Council Tax Levels – Precepting Fire Authorities



3.6. The Government has again set aside Council Tax Freeze Grant to provide compensation to those authorities which freeze or reduce Council Tax levels. This compensation is equivalent to a 1% council tax increase on the enhanced taxbase (i.e. including the full value for those receiving council tax support). This equates to a grant of £182k for 2015/16.

#### 4. Key Financial Ratios

- 4.1. This report should be read in conjunction with Annex B, which shows how the Authority compares with other combined fire authorities across a number of key financial performance measures.
- 4.2. Annex B indicates that the Authority is managing its finances well as the key ratios are all broadly in line with the averages for all combined fire authorities.

#### 5. Robustness of the Estimates

- 5.1. The budget proposed for 2015/16 at Appendix 1 has been compiled by looking in detail at current spending and future plans. Savings opportunities and growth bids compared to last year’s budget have been identified and subjected to senior officer and Member challenge. As far as possible, bids and savings have been matched to the priorities outlined in the corporate plan.
- 5.2. The Authority has also received provisional notification of section 31 grant funding of £1.099m for 2015/16 (£1.178m in 2014/15) for New Dimension and Firelink, which is distributed separately from the formula grant funding. Should the Government at any point in the future decide to aggregate all of the grants together into formula funding, then this could be subjected to revised floor damping arrangements, subject to continuing austerity measures, thus watering down the amount received had it remained a separate grant.

- 5.3. Indicative figures for surpluses on council tax funds have so far been received from three out of the five billing authorities. The proportion of surplus allocated to BMKFA has been used to increase the revenue contribution to fund the capital programme due to the reduction in capital grant funding.
- 5.4. Based on the updated budget requirement including the assumptions at 5.7, the budget at Appendix 1 demonstrates that the Authority will need to plan for further savings or an increase in council tax from April 2016 in order to avoid a cumulative shortfall at the end of 2019/20 of £5.6m.
- 5.5. Salaries have been adjusted to take into account savings to match our expectations from the retirement profile and the updated establishment.
- 5.6. Savings and growth bids which have been subjected to challenge are included for 2015/16 and the base adjusted. Other risks which have been identified are to be covered from the general reserves and contingency.
- 5.7. The detailed costings are based on the updated budget requirement including the inflation assumptions below:

	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %
Council Tax	0.00	0.00	0.00	0.00	0.00
Council Tax Growth	2.04	0.75	0.75	0.75	0.75
Central Government Funding	-14.02	-22.46	-27.96	-22.71	-32.44
Business Rates [Note 1]	3.57	6.45	3.36	3.35	3.33
Salary Increases	1.00	1.00	1.00	1.00	1.00
Employers National Insurance	0.00	3.40	0.00	0.00	0.00
Firefighters Employer Pension Costs [Note 2]	0.00	0.00	0.00	0.00	0.00
General Inflation (Based on CPI)	1.50	2.00	2.00	2.00	2.00
Utilities	0.00	5.00	5.00	5.00	5.00
Fuel	1.50	2.00	2.00	2.00	2.00
Rates	2.00	2.00	2.00	2.00	2.00

Note 1 – The volatility shown here is because the authority is still awaiting confirmation of a number of figures from the billing authorities (see Appendix 4, Section 2). Once these have been received the projections for future years will be revised where necessary.

Note 2 – This is subject to consultation (see Section 6.1.4)

- 5.8. The inflation figures shown for fuel and utilities will be kept under review throughout the year. Recent evidence shows that the cost of fuel is currently decreasing, although this is another area that is potentially very volatile. Variations against budget will be reported as part of the monitoring process and future years' budgets updated accordingly in subsequent plans.
- 5.9. The Department for Communities and Local Government has set a referendum level for authorities for 2015/16 of 2% with any percentage point above this cap triggering a referendum. The costs of a referendum would be significant

with the billing authorities not only incurring costs directly relating to the running of a referendum but also the potential costs of rebilling. These costs would be passed on to the Authority which would potentially out-weigh any benefit of an increase in Council Tax above the cap.

## **6. Risk Factors in the Budget Assumptions**

### **6.1. Key issues impacting on the budget estimates are:**

- 6.1.1. Pay awards - the nationally negotiated pay award is applied from the 1 July each year. A 1% increase has been applied to all staff for each year of the MTFP period. If however higher increases are agreed additional awards would need to be met from contingency.
- 6.1.2. Employers National Insurance contributions - at the time of writing, no amounts have been advised for future years. If increases are agreed, these will be calculated and would need to be met from contingency. It should be noted that in 2016/17 the impact of the removal of National Insurance Contributions rebate has been included in the estimates.
- 6.1.3. LGPS Pensions - the employer cost of this scheme has been held at 13.3% of pensionable pay due to the restructuring of the liability prior to the start of 2014/15. No increase has been applied and the figures may vary in future years following the next actuarial revaluation of the Local Government Pension Scheme in two years' time.
- 6.1.4. Fire fighters Pensions - no increase in employer's contributions has been included for the fire-fighters pension fund for future years. DCLG has recently received the initial results of the 2012 valuation of the Firefighters' Pension Schemes. This indicates that the estimated average employer contribution rate paid by fire and rescue authorities in 2015-16 will be 18.9%, 0.24% lower than the previous projection of 19.1%. To ensure that the changes in costs are fiscally neutral for the sector and for central Government, the Government intends to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority. However, this proposal is still under consultation.
- 6.1.5. Borrowing - the cost of borrowing to pay for assets would need to be paid from the revenue account this would include interest payments and a proportion of the principal sum spread across the lives of the assets involved. In order to mitigate the risk as far as possible, Members have agreed to maintain the Capital Programme within capital funding limits. Currently, average annual costs for each £1m worth of assets with a 12 year life would incur additional costs to the revenue account of £112k.
- 6.1.6. Unexpected events - the capital programme includes a provision for refurbishment of the buildings but no contingency for



unexpected events. Uninsured events would rely in the short term on the use of reserves.

- 6.1.7. Exceptional conditions - the operational activity budget is funded for the normal range of conditions. Prolonged spate conditions could lead to increased costs.
- 6.1.8. Uninsured Losses - the Authority has a robust approach to risk management across all areas and we have a good record of managing our insurable risks and health and safety within the organisation. Uninsured losses would need to be funded from reserves.
- 6.1.9. Savings proposals have been aligned with the workforce planning model – whilst business cases for savings proposals have been scrutinised for feasibility, alignment with plans and known risks, there are still a number of uncertainties surrounding the deliverability (for example assumptions made for timing of savings being made earlier than happen in reality). In these cases and particularly where large sums are involved, they will be regularly monitored and reported back to the Strategic Management Board (SMB) and Executive Committee for action.
- 6.1.10. Growth bids have also been scrutinised by senior officers and the Chair and Vice Chair of the Authority and the Chair of the Overview and Audit Committee. Where details are known we have budgeted for any future growth items as accurately as possible using the information available. However there may be unforeseen events that occur during the year which lead to growth which has not been accounted for. Any such items will need to be funded from contingency or reserves.
- 6.1.11. A number of savings built into the budget are based on partnership working (Thames Valley Joint Control, Procurement shared with Royal Berkshire Fire and Rescue Service) and the achievement of these will be reliant on these partnerships working effectively.

## **7. Capital**

- 7.1. No general capital grant funding has been awarded by CLG for 2015/16 (£908k in 2014/15). In anticipation of this reduction, the Authority established an annual revenue contribution to capital within the base budget in 2013/14. For 2014/15 this amount was £1.266m and it is proposed to increase this to £1.937m for 2015/16 to match the capital programme required.
- 7.2. In October 2014 the Authority received notification that following a successful bid it has been awarded £2.84m from the Fire Transformation Fund. It is intended that, subject to consultation, the funding will be used to merge two fire stations and a police site into a modern joint facility. The costs and funding relating to this project have been included within the capital programme for 2015/16 and future years.
- 7.3. The capital programme has been determined based on a series of challenge panels held by officers and then by the Chair and Vice Chair of the Authority and the Chair of the Overview and Audit Committee during the MTFP process. The revenue impact of the capital programme has been factored into the base revenue budget requirement.
- 7.4. The table at Appendix 2 details the approved capital programme for 2014/15, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2015/16 to give a total capital budget requirement of £9.3m for 2015/16.
- 7.5. The Authority should also take cognisance of the prudential indicators when approving the capital programme (submitted as a separate paper at this meeting)

## **8. Scrutiny and Challenge Process**

- 8.1. The Revenue and Capital budgets and the underlying assumptions have been scrutinised by an officer challenge panel, Strategic Management Board and the Chair and Vice Chair of the Authority and the Chair of the Overview and Audit Committee.
- 8.2. Adjustments have been made to the base where budgets are no longer required.
- 8.3. Senior Officers have submitted growth and savings proposals.
- 8.4. Regular detailed discussions have been held with the Chief Fire Officer and other members of the SMB (Officer Challenge).
- 8.5. Challenge sessions and Member briefings have occurred to scrutinise and challenge budget submissions in detail and have informed the proposed budget.

## **9. Adequacy of Reserves**

- 9.1. The table at Appendix 3 shows the estimated movement on earmarked reserves as at 31 March 2015 and 31 March 2016.
- 9.2. There are currently thirteen earmarked revenue reserves and the General Fund Reserve. A table showing an assessment of the risks that could impact on the General Fund is set out below in Appendix 3.

## **10. Communication and Consultation**

- 10.1. A number of workshops have already taken place with senior officers and Lead Members about the Medium Term Financial Plan and the effect on the overall aims and objectives of the Authority.
- 10.2. Any future changes to front-line service delivery including how we work with the community and our partners will have a people impact assessment carried out as part of the overall PSP review.
- 10.3. Once the budget has been approved by the Authority, information is published on our website showing the sources of finance and where the money will be spent.

## **11. Statement by the Chief Finance Officer**

- 11.1. The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Fire Authority's case the Director of Finance and Assets and Chief Finance Officer, must report on:
  - 11.1.1. The robustness of the estimates made for the purposes of the calculations of the budget and;
  - 11.1.2. The adequacy of the proposed financial reserves;
  - 11.1.3. In recommending the budget to the Authority, Members must take the advice of the Chief Finance Officer in respect of the above and the associated risks as highlighted within the report.
- 11.2. Given the level of the General Fund Balance and earmarked reserves available, the prudent approach to the budget setting process for the next financial year and the tighter controls introduced for budget management, it is my conclusion as Chief Finance Officer for the Authority that there is sufficient capacity in the reserves to cope with the financial risks the Authority faces for 2015/16 and future years and that the methodology applied provides the necessary assurance to the Authority about the robustness of the estimates used in constructing the budget.

## Appendix 1

### 1. MTFP Budget Model

#### 1.1. Current Model

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Base Budget	28,988	28,808	28,205	27,996	28,059	27,692
Pay Adjustment	225	213	525	222	224	204
Inflation Adjustment	86	88	90	95	95	110
Savings	-613	-1,096	-622	-266	-684	-608
Growth	420	409	-65	34	-2	0
Previous year savings & growth adjustments	-702	-888	-136	-22	0	0
Precept growth and collection fund surplus	280					
Revenue Contribution to Capital	124	671				
<b>Net Budget Requirement</b>	<b>28,808</b>	<b>28,205</b>	<b>27,996</b>	<b>28,059</b>	<b>27,692</b>	<b>27,398</b>
Govt Funding	-6,013	-5,170	-4,009	-2,888	-2,232	-1,508
Business Rates	-4,509	-4,670	-4,971	-5,138	-5,310	-5,487
Council Tax Receipts Surplus/Deficit	-298	-113				
Council Tax Freeze Grant	-178	-182				
Specific Grants (S.31)	-1,178	-1,099	-1,099	-1,099	-1,099	-1,099
Council Tax Receipts	-16,632	-16,971	-17,212	-17,341	-17,471	-17,602
<b>Total Funding Available</b>	<b>-28,808</b>	<b>-28,205</b>	<b>-27,291</b>	<b>-26,466</b>	<b>-26,112</b>	<b>-25,696</b>
Shortfall for year	0	0	705	1,593	1,580	1,702
Cumulative savings requirement	0	0	705	2,298	3,878	5,580

1.2. Impact of Potential Savings from 2016/17 Onwards

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Thames Valley Control			-40	-40	-40	-40
RBFRS shared services income			-60	-60	-60	-60
Reduction in contingency			-362	-362	-362	-362
Back office staffing reduction				-290	-290	-290
High Wycombe/Beaconsfield premises					-250	-250
Red fleet lease payments						-100
<b>Base Budget</b>	<b>28,988</b>	<b>28,808</b>	<b>28,205</b>	<b>27,534</b>	<b>27,307</b>	<b>26,690</b>
<b>Net Budget Requirement</b>	<b>28,808</b>	<b>28,205</b>	<b>27,534</b>	<b>27,307</b>	<b>26,690</b>	<b>26,296</b>
<b>Total Funding Available</b>	<b>-28,808</b>	<b>-28,205</b>	<b>-27,291</b>	<b>-26,466</b>	<b>-26,112</b>	<b>-25,696</b>
Shortfall for year	0	0	243	841	578	600
Cumulative savings requirement	0	0	243	1,084	1,662	2,262

**Appendix 2**

<b>Capital Programme Summary</b>	<b>Approved Budget 2014/15</b>	<b>Provisional Outturn 2014/15</b>	<b>Slippage 2014/15 A</b>	<b>New Budget Requests 2015/16 B</b>	<b>Total Budget Requirement 2015/16 A+B</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property Portfolio	1,490	395	1,071	1,540	2,611
Fire Appliances & Equipment	1,369	1,063	336	733	1,069
Support	929	748	35	347	382
Community Safety	15	0	15		15
Control Room Project	800	0	800		800
Other					0
Milton Keynes transformation bid				4,448	4,448
<b>Total Anticipated Spend</b>	<b>4,603</b>	<b>2,206</b>	<b>2,257</b>	<b>7,068</b>	<b>9,325</b>
<b>Funding Brought Forward</b>					
<i>Capital Grants</i>					
<i>Revenue Contribution to Capital</i>		-2,349			-5,125
<i>Capital Receipts</i>		-46			-48
<i>Control Room Capital Grant</i>		-800			-800
<i>Other Capital Grants</i>		-326			
<b>Total Funding Brought Forward</b>		<b>-3,521</b>			<b>-5,973</b>
<b>In Year Funding</b>					
<i>Capital Grants</i>		-1,190			
<i>Revenue Contribution to Capital</i>		-3,466			-1,937
<i>Transformation Grant</i>					-2,841
<i>Capital Receipts</i>		-2			
<b>Total In Year Funding</b>		<b>-4,658</b>			<b>-4,778</b>
<b>TOTAL ANTICIPATED FUNDING</b>		<b>-8,179</b>			<b>-10,751</b>
<b>FUNDING (SURPLUS)/DEFICIT</b>		<b>-5,973</b>			<b>-1,426</b>
<b>TOTAL USABLE CAPITAL RESERVES</b>		<b>-5,973</b>			<b>-1,426</b>

	<b>2015/16 Budget Requests £000</b>	<b>2016/17 Indicative Budget £000</b>	<b>2017/18 Indicative Budget £000</b>	<b>2018/19 Indicative Budget £000</b>	<b>2019/20 Indicative Budget £000</b>
Property Portfolio	2,611	600	600	600	600
Fire Appliances & Equipment	1,069	745	700	700	700
Support	382	250	250	250	250
Community Safety	15				
Control Room Project	800				
Other		50	50	50	50
Milton Keynes transformation bid	4,448				
<b>Total Anticipated Spend</b>	<b>9,325</b>	<b>1,645</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>
<b>Funding Brought Forward</b>					
<i>Capital Grants</i>					
<i>Revenue Contribution to Capital</i>	-5,125	-1,426	-1,718	-2,055	-2,392
<i>Capital Receipts</i>	-48				
<i>Other Capital Reserves</i>	-800				
<b>Total Funding Brought Forward</b>	<b>-5,973</b>	<b>-1,426</b>	<b>-1,718</b>	<b>-2,055</b>	<b>-2,392</b>
<b>In Year Funding</b>					
<i>Revenue Contribution to Capital</i>	-1,937	-1,937	-1,937	-1,937	-1,937
<i>Transformation Grant</i>	-2,841				
<b>Total In Year Funding</b>	<b>-4,778</b>	<b>-1,937</b>	<b>-1,937</b>	<b>-1,937</b>	<b>-1,937</b>
<b>Total Funding Available</b>	<b>-10,751</b>	<b>-3,363</b>	<b>-3,655</b>	<b>-3,992</b>	<b>-4,329</b>
(Surplus)/Deficit for the Year	-1,426	-292	-337	-337	-337
Cumulative Funding (Surplus)/Deficit	-1,426	-1,718	-2,055	-2,392	-2,729

### Appendix 3

#### 1. Summary of Estimated Movement on Earmarked Reserves

##### 1.1. Estimated Movement on Earmarked Reserves

Reserve	Balance at 1 April 2014 £000	Projected Transfers In 2014/15 £000	Projected Transfers Out 2014/15 £000	Projected Balance at 31 March 2015 £000	Planned Transfers In 2015/16 £000	Planned Transfers Out 2015/16 £000	Projected Balance at 31 March 2016 £000
General Fund Balance	-3,700	0	0	-3,700	0	0	-3,700
<b>Sub Total Non Earmarked General Fund Balance</b>	<b>-3,700</b>	<b>0</b>	<b>0</b>	<b>-3,700</b>	<b>0</b>	<b>0</b>	<b>-3,700</b>
Fire Control Reserve	-150	0	0	-150	0	150	0
Invest to Save Reserve	-513			-513			-513
New Dimensions Reserve	-1,000			-1,000			-1,000
Redundancy and Early Retirement Reserve	-349			-349			-349
Vehicle Reserve	-69	-17		-86	-17		-103
Funding Pressures Reserve	-1,183			-1,183			-1,183
Control Room Reserve (Revenue)	-1,360	0	0	-1,360	0	1,360	0
RDS Pension Contributions Reserve	-650		250	-400		400	0
Continuing Projects Reserve	-300			-300		300	0
<b>Sub Total Earmarked Reserves - Revenue</b>	<b>-5,574</b>	<b>-17</b>	<b>250</b>	<b>-5,341</b>	<b>-17</b>	<b>2,210</b>	<b>-3,148</b>
Usable Capital Receipts Reserve	-46	-2	0	-48			-48
Control Room Capital Grant Unapplied	-800	0	0	-800	0	800	0
Other Capital Grants Unapplied	-302	0	302	0			0
Revenue Contribution to Capital	-2,349	-3,466	690	-5,125			-5,125
<b>Sub Total Earmarked Reserves - Capital</b>	<b>-3,497</b>	<b>-3,468</b>	<b>992</b>	<b>-5,973</b>	<b>0</b>	<b>800</b>	<b>-5,173</b>
<b>Total Usable Reserves</b>	<b>-12,771</b>	<b>-3,485</b>	<b>1,242</b>	<b>-15,014</b>	<b>-17</b>	<b>3,010</b>	<b>-12,021</b>



1.2. Risks that Could Impact on the General Fund

<b>Risk description</b>	<b>Risk factor - likelihood Rank % factor {a}</b>	<b>Risk factor - impact Rank % factor {b}</b>	<b>Potential Amount Required £000's {c}</b>	<b>Result Actual Assessed Risk £000's {a} x {b} x {c}</b>
Inflation budget assumptions - especially fuel and utilities	5%	50%	2,300	58
Pay awards - budget includes 1% increase. This could vary dependent on national agreements	50%	80%	213	85
Savings assumptions - The savings built into the budget for 2015/16 are dependent on a number of factors and reliant on estimates made.	25%	100%	1,984	496
Property - very limited provision for capital maintenance. Would need to resort to use of reserves.	25%	100%	1,000	250
Capital budget assumptions - buildings. Limited capacity built into the budgets for unseen events. Current value of buildings is £15.3m. There is no contingency for uninsured risks	5%	50%	15,300	383
Capital assets - vehicles - risk of losses not covered by insurance policies. No provision within the budgets. Would need to be covered from reserves	10%	20%	3,700	74
Legal fees - there are times when it is necessary to take cases through the courts. There is provision in the budgets for this. However, there is always a risk that fees become burdensome and the case is lost with loss of our fees and the possibility that we would need to fund the company's costs	20%	75%	500	75
Spate conditions. The budget is set on the assumption that there is a normal pattern of turnouts for whole time and retained duty staff. In the event of extraordinary circumstances where turnouts significantly exceed the norm and overtime runs above the normal allowance, there would be an impact on reserves.	20%	70%	500	70

<b>Risk description</b>	<b>Risk factor - likelihood Rank % factor {a}</b>	<b>Risk factor - impact Rank % factor {b}</b>	<b>Potential Amount Required £000's {c}</b>	<b>Result Actual Assessed Risk £000's {a} x {b} x {c}</b>
Staff risks - injury payments for uninsured risk - i.e.. the organisation is found to be negligent in its duty of care to staff	10%	100%	500	50
Staff risks - there is no provision in the budgets for redundancy costs nor unfair dismissal claims.	25%	25%	600	38
Public risks - there is no provision in the budgets for injury or damage to public or public property if the organisation is found to be negligent in its duty of care.	1%	100%	10,000	100
Combined FireControl project - further delay in cut-over.	25%	20%	1,500	75
Part time workers pay reserve insufficient to meet negotiated settlement	50%	100%	100	50
Unable to negotiate satisfactory continued use of SAP from BCC - need to implement new financial or ERP system	25%	100%	1,000	250
Risk of merging S31 Grant into formula grant - inadequate or no grant funding to cover staff permanently employed but currently 100% funded.	50%	75%	1,099	412
Pension Fund LGPS Triennial revaluation	15%	25%	709	27
PSP risk and back office reviews	50%	75%	600	225
Provision for ill health retirements	5%	75%	3,000	113
Business rates funding lower than forecast	5%	80%	4,670	187
Council Tax funding lower than forecast	5%	80%	16,971	679
<b>General Fund Balance Requirement</b>				<b>3,697</b>

1.3. In the table "likelihood" is officer's estimate of the event actually occurring. Of course this presumes no action to mitigate against occurrence for the purposes of risk estimation. "impact" is assessed as the affect the event would have if it is realised. The actual assessed risk is the product of likelihood multiplied by impact and this is in turn calculated against the amount potentially required to give an estimate of reserve requirement.

- 1.4. The risk table shows that the general fund holds adequate amounts to match within the expected range of events. Specific reserves have been created for individual events that are above the general range of activity and for known pressures.
- 1.5. However any other unidentified events or specific pressures arising from asset based pressures would need to be met from either within existing reserves, by borrowing or funding from revenue with an associated pressure either on council tax or by increasing savings.

## **2. Reasons for Holding Reserves**

- 2.1. Reserves are held for a number of reasons, including:
  - 2.1.1. General resilience – funds need to be held to cover the risks as detailed in the previous section
  - 2.1.2. Specific projects – earmarked reserves need to be held when known future spending has been identified on specific projects e.g. combining control rooms
  - 2.1.3. A focus on achieving long-term savings in advance, so that year end surplus can be invested in service transformation in future years
  - 2.1.4. As a contingency against future funding settlements and the increased volatility of local funding
  - 2.1.5. Capital expenditure – the Authority no longer receives a general capital grant each year. It is therefore necessary to hold reserves to fund future expenditure on new assets.

## Appendix 4

### 1. Council Tax Funding

#### 1.1. Current council tax bandings:

Bands	Proportion of Band D Charge	Per Week (£)	Per Month (£)	Per Year (£)
A	6/9	0.76	3.29	39.42
B	7/9	0.88	3.83	45.99
C	8/9	1.01	4.38	52.56
D	9/9	1.13	4.93	59.13
E	11/9	1.39	6.02	72.27
F	13/9	1.64	7.12	85.41
G	15/9	1.89	8.21	98.55
H	18/9	2.27	9.86	118.26

Please note that weekly and monthly amounts may not multiply through to give the exact annual amount stated due to rounding.

#### 1.2. Total council tax funding by billing authority:

	AVDC	MKUA	CDC	SBDC	WDC	Total
Tax Base 14/15	65,853	76,262	42,809	31,626	64,731	281,281
Additional Band D houses	2,049	2,231	334	126	996	5,736
Tax Base 15/16	67,902	78,493	43,143	31,752	65,727	287,017
Band D Rate	59.13	59.13	59.13	59.13	59.13	59.13
Total (£000)	4,015	4,642	2,551	1,877	3,886	16,971

### 2. Business Rates Funding

#### 2.1. Business rates baselines and amount received:

	2013-14 Baseline £000	2013-14 Received £000	2014-15 Baseline £000	2014-15 Received £000	2015-16 Baseline £000	2015-16 Confirmed Funding £000
Aylesbury Vale	473	485	482	487	491	TBC*
Chiltern	198	207	202	215	205	TBC*
South Bucks	287	291	293	254	298	TBC*
Wycombe	670	662	683	609	696	TBC*
Milton Keynes UA	1,372	1,386	1,399	1,419	1,426	1,530
Top-up Grant	1,495	1,495	1,525	1,525	1,554	1,554
Total	4,495	4,526	4,584	4,509	4,670	3,084

\*The statutory deadline for authorities to confirm business rates forecasts is 31 January 2015

## Appendix 5

### 3. Funding Projections

3.1. The table below shows the funding estimates as per the model, the amounts that have been confirmed, and the residual amounts that still require third party confirmation to the Authority:

	<b>Per Model £000</b>	<b>Confirmed Funding £000</b>	<b>Residual Amount £000</b>
Govt Funding	-5,170	-5,170	0
Business Rates	-4,670	-3,084	-1,586
Council Tax Receipts Surplus/Deficit	-113	-113	0
Council Tax Freeze Grant	-182	-182	0
Specific Grants (S.31)	-1,099	-1,099	0
Council Tax Receipts	-16,971	-16,971	0
<b>Total</b>	<b>-28,205</b>	<b>-26,619</b>	<b>-1,586</b>

3.2. The majority of the unconfirmed amounts are in relation to business rates. As noted the earlier, the deadline for providing this information is 31 January 2015.

## Annex B – Key Financial Ratios

This appendix examines each of the key financial ratios in turn. In the charts, the green line shows the average value for all of the combined fire authorities.

### (i) Current assets to current liabilities

This ratio measures the relationship between an organisation’s current assets and its current liabilities. While it is commonly used to examine whether organisations are able to pay their debts in the short term, this is unlikely to be a significant risk for local government organisations given their ability to take short-term borrowing (though there may be additional costs to organisations that rely on short-term borrowing to pay debts). It does, however, act as an indicator of how short-term finances are managed and highlight possible future cash-flow problems. If a local government organisation did experience cash-flow difficulties which resulted in, for example, problems paying creditors this could present a significant reputational risk to the organisation. Conversely, organisations with a high ratio, over 4.0, should possibly consider if they are managing their current assets in the most effective way.

Current assets include cash and cash equivalents, payments in advance, debtors, short-term investments, inventories, assets held for sale and current intangible assets.

Current liabilities include bank overdrafts, receipts in advance, creditors, short-term borrowing, provisions, liabilities held by groups awaiting disposal and other short-term liabilities (e.g. current finance lease liabilities).

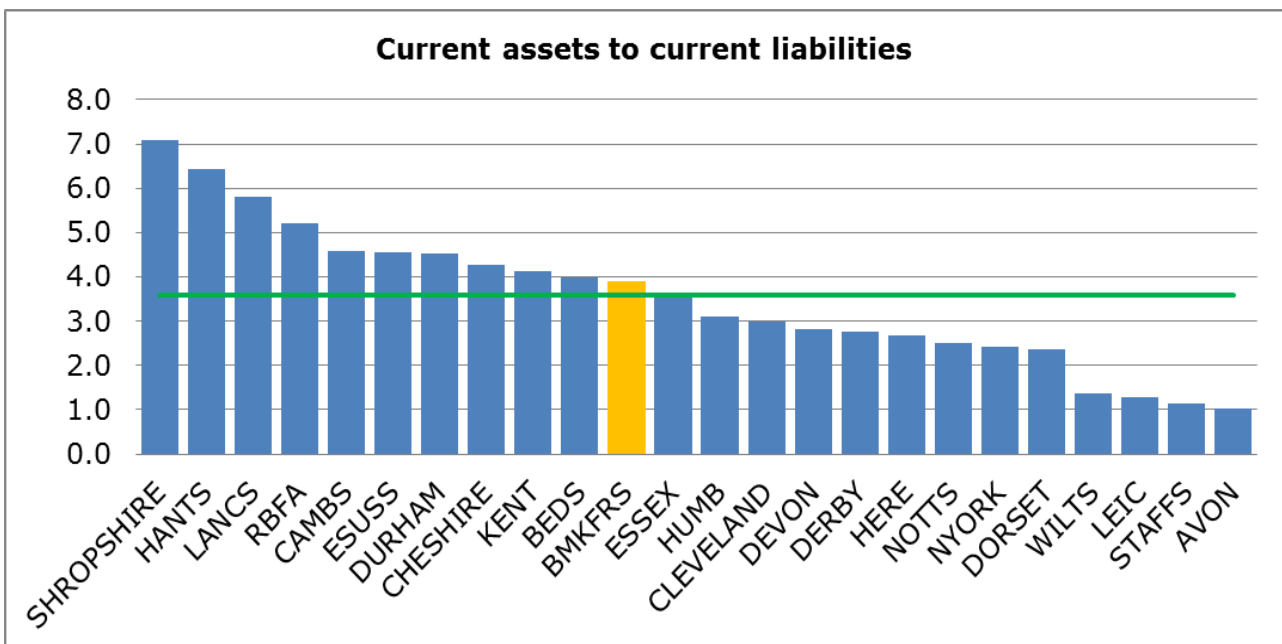


Chart 1

Chart 1 above shows that all the organisations have a ratio over 1.0 in 2012/13. This indicates that they have a higher level of current assets than current liabilities and are therefore managing their current assets effectively. The ratio for BMKFRS is in line with the average, which indicates that there is a good balance between maintaining liquidity and managing current assets effectively.

**(ii) Usable reserves to gross revenue expenditure**

This ratio measures the relationship between an organisation’s usable reserves, which is the money it is retaining to fund future spending commitments and to meet unpredictable variations in spending, and its annual gross revenue expenditure. Organisations make local decisions on the amount of reserves they need in response to their local circumstances. Elected Members are responsible for ensuring that the levels of reserves are appropriate and the purposes for holding these reserves should be clearly communicated through the annual accounts. Organisations with very high levels of reserves relative to their spending should review the purposes for which these are held to ensure that they are still required.

Usable reserves include the General Fund, other earmarked reserves and usable capital receipts.

Gross revenue expenditure is the total cost of services shown in the comprehensive income and expenditure statement within the accounts.

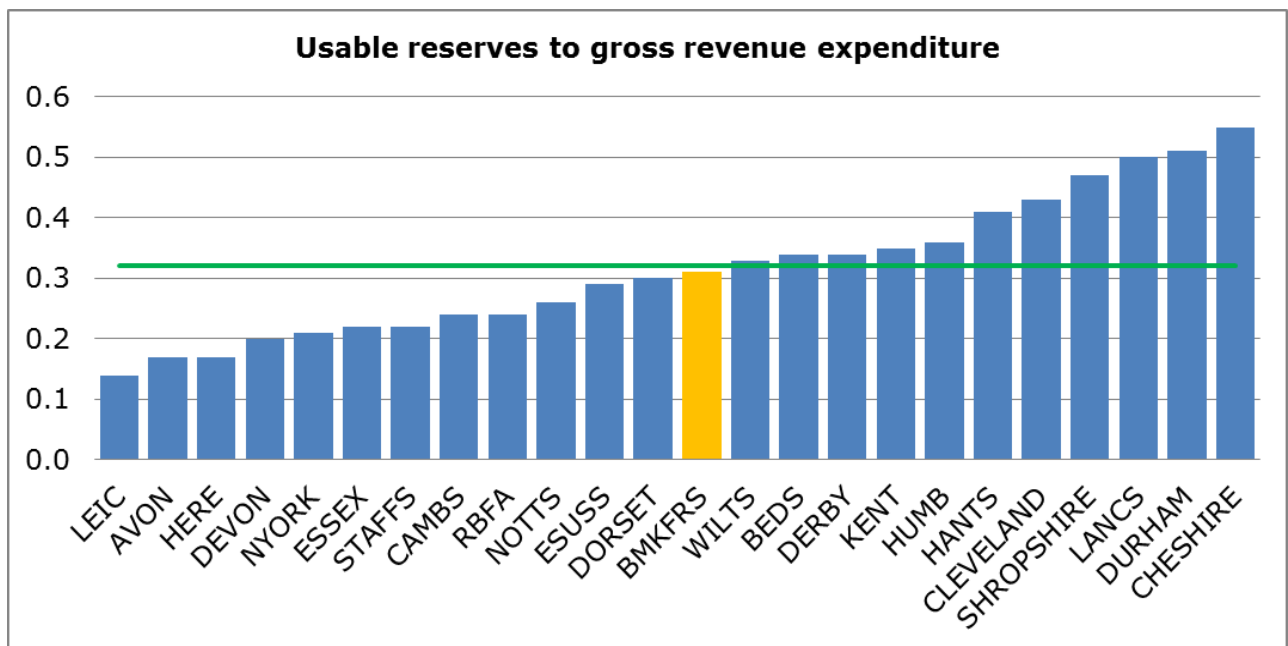


Chart 2

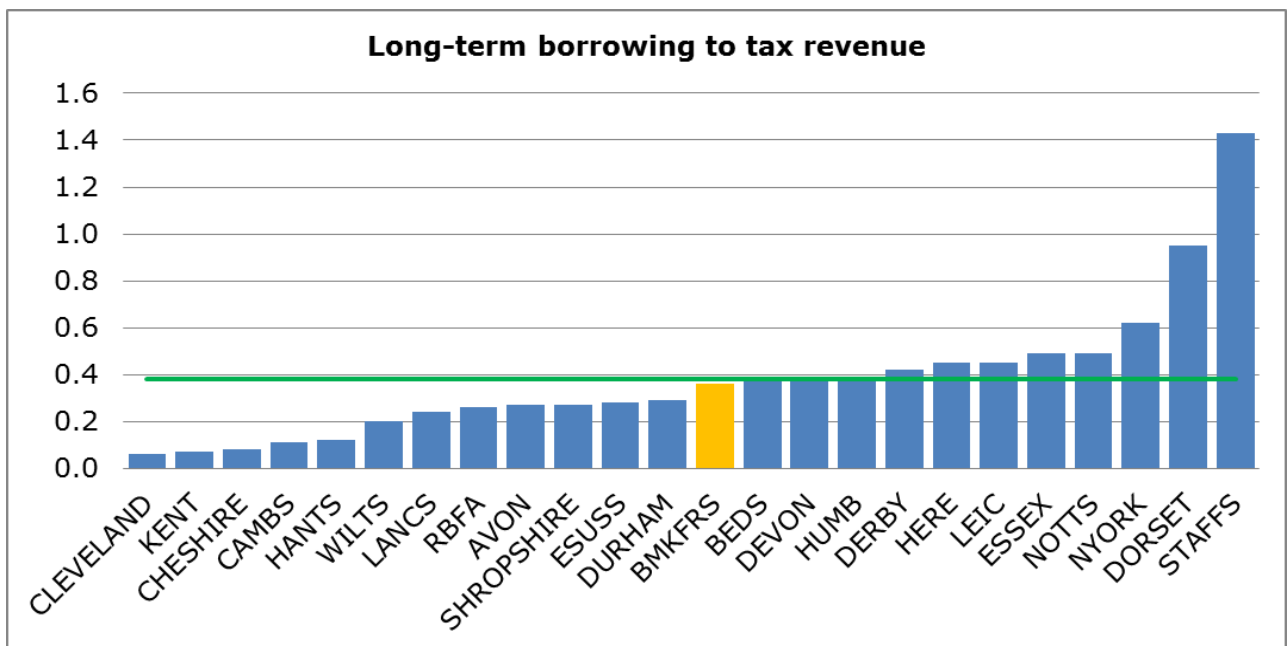
The usable reserves to gross expenditure ratios are shown in Chart 2. The reason for a high ratio here is generally as a consequence of a reduction in spending as organisations change the way they deliver services at lower cost, combined with increasing levels of reserves being held due to the uncertainty of future funding levels. The graph indicates that BMKFRS are holding reserves of approximately 31% of gross revenue expenditure, which whilst fairly high, is in line with the average for combined fire authorities.

**(iii) Long-term borrowing to tax revenue**

This ratio measures the relationship between an organisation’s long-term borrowing and its tax revenue. When interpreting this ratio, consideration should be given to the reasons for long-term borrowing. Local government organisations enter into long-term borrowing to finance large-scale investment in the buildings and equipment they need to deliver services. Organisations need to ensure that their medium-term financial strategies take sufficient account of the level of debt repayments to minimise any impact these may have on future spending plans. Currently interest rates are at a historically low level, making borrowing more affordable, however, with interest rates set to rise in the years ahead, future borrowing will become more expensive.

Long-term borrowing includes long-term loans, long-term liabilities relating to Private Finance Initiatives and finance lease liabilities.

Tax revenue includes the revenue support grant, Council Tax income and business rates income (non-domestic rates).



**Chart 3**

Chart 3 shows the long-term borrowing compared with tax revenues. The comparison shows that BMKFRS has a fairly low reliance on long-term borrowing with outstanding borrowing at approximately a third of tax revenue. This is primarily because in recent years the capital programme has been funded from capital grant and contributions from revenue. This ratio will strengthen as long-term borrowing is repaid in line with the maturity profile, but there is currently no incentive to repay borrowing early due to the substantial early repayment premiums that would be incurred.



**(iv) Long-term borrowing to long-term assets**

This ratio measures the relationship between an organisation’s long-term borrowing and long-term assets. This ratio provides insight into what borrowing has funded and the potential need for future borrowing to finance investment in delivering services. Once again, interpretation of this ratio requires consideration of the historical reasons for long-term borrowing. The amount that organisations need to borrow to finance their long-term capital investment plans will be influenced by their ability to raise funds from the sale of existing long-term assets.

Long-term borrowing includes long-term loans, long-term liabilities relating to Private Finance Initiatives and finance lease liabilities.

Long-term assets includes property, plant and equipment, heritage assets, investment property, intangible assets (e.g. computer software), assets under construction, long-term investments and long-term debtors.

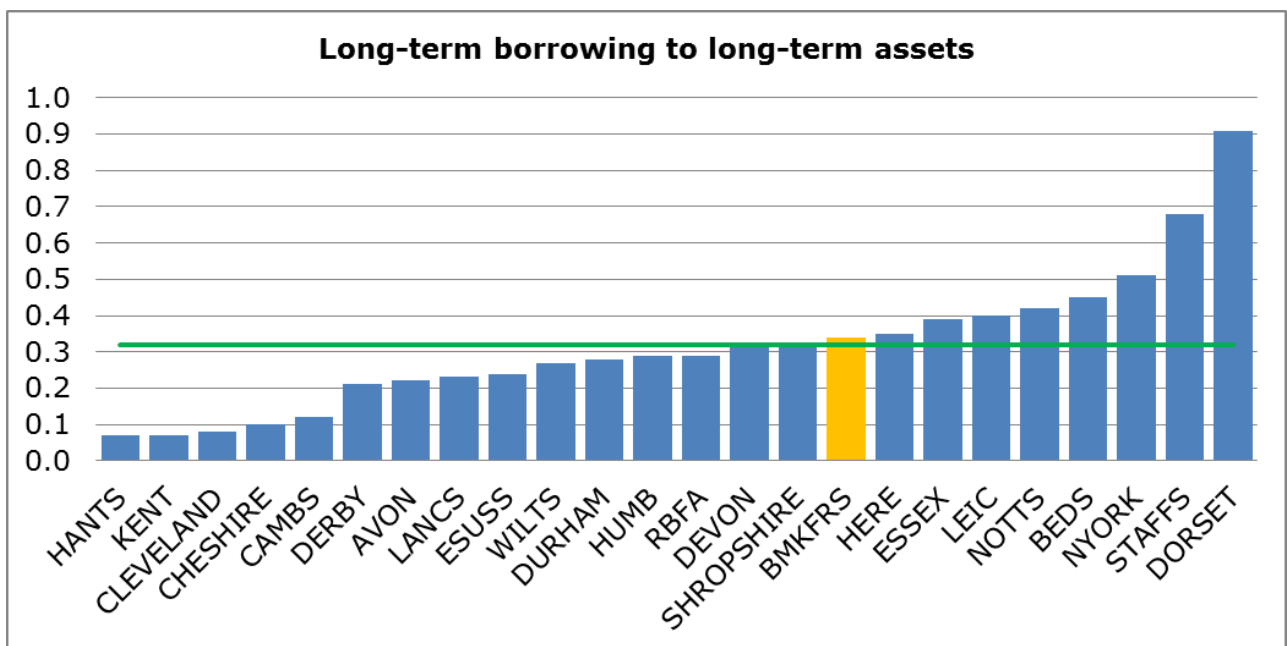


Chart 4

Chart 4 indicates how much outstanding borrowing each organisation has compared with their long-term assets. Currently BMKFRS has outstanding borrowing equivalent to approximately a third of the value of its long-term assets. The Authority has no current plans to borrow further, instead funding future capital expenditure through revenue contributions. As is the case in section (iii), this ratio will also improve as long-term borrowing is repaid in line with the maturity profile, but there is currently no incentive to repay borrowing early due to the substantial early repayment premiums that would be incurred.

**Key to Abbreviations Used in the Charts**

Avon Fire Authority	AVON
Bedfordshire and Luton Combined Fire Authority	BEDS
Buckinghamshire and Milton Keynes Fire Authority	BMKFRS
Cambridgeshire and Peterborough Fire Authority	CAMBS
Cheshire Fire and Rescue Authority	CESHIRE
Cleveland Fire Authority	CLEVELAND
County Durham and Darlington Fire and Rescue Authority	DURHAM
Derbyshire Fire Authority	DERBY
Devon and Somerset Fire and Rescue Authority	DEVON
Dorset Fire Authority	DORSET
East Sussex Fire Authority	ESUSS
Essex Fire Authority	ESSEX
Hampshire Fire And Rescue Authority	HANTS
Hereford and Worcester Fire And Rescue Authority	HERE
Humberside Fire Authority	HUMB
Kent And Medway Fire And Rescue Authority	KENT
Lancashire Combined Fire Authority	LANCS
Leicester, Leicestershire and Rutland Combined Fire Authority	LEIC
North Yorkshire Fire And Rescue Authority	NYORK
Nottinghamshire and City of Nottingham Fire and Rescue Authority	NOTTS
Royal Berkshire Fire Authority	RBFA
Shropshire and Wrekin Fire and Rescue Authority	SHROPSHIRE
Stoke on Trent and Staffordshire Fire and Rescue Authority	STAFFS
Wiltshire And Swindon Fire Authority	WILTS

## **Annex C – Economic Outlook and Locally Financed Current Expenditure**

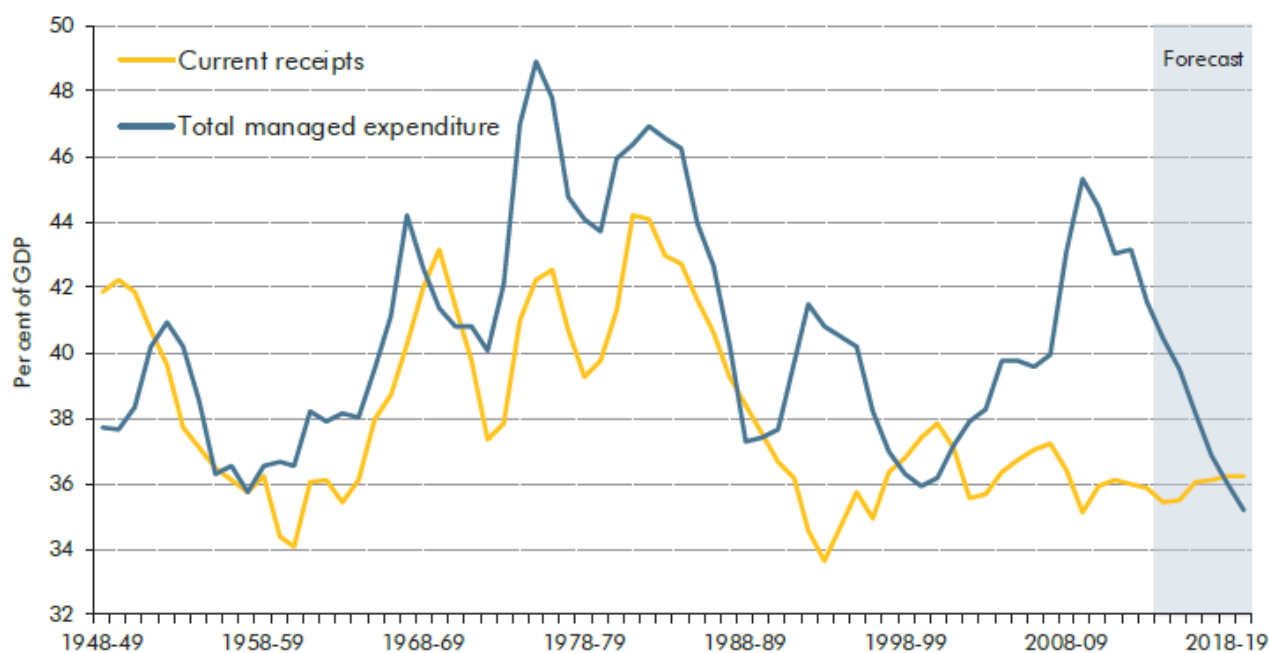
### **1. The Economic Outlook**

- 1.1. The UK economy has outperformed the Office for Budget Responsibility's (OBR) March forecast, with GDP expected to grow by 3.0% this year and unemployment already down to 6.0%. But wage and productivity growth have once again disappointed, while national income and spending have outperformed most in those areas that yield least tax revenue.
- 1.2. For these and other reasons, this year has seen a sharp fall in the amount of tax raised for every pound of measured economic activity. As a result, despite strong economic growth, the budget deficit is expected to fall by only £6.3 billion this year to £91.3 billion, around half the decline the OBR expected in March. That would be the second smallest year-on-year reduction since its peak in 2009/10, despite this being the strongest year for GDP growth.
- 1.3. Public sector net borrowing is expected to fall by 0.6% of GDP this year, reaching 5.0% – half the peak it reached in 2009/10. Looking further ahead, the OBR expect the deficit to fall each year and – as in March – to reach a small surplus by 2018/19. This reflects relatively large and broadly offsetting changes in the expected path of receipts and spending. In particular:
  - 1.3.1. Receipts have been revised down by £7.8 billion in 2014/15, rising to £25.3 billion by 2018/19. Lower wage growth has reduced income tax forecast and a variety of factors have reduced expected receipts from VAT and excise duties. Relative to GDP, tax receipts are expected to recover to their 2013/14 level towards the end of the forecast. This relies on an improvement in productivity boosting earnings growth and income tax receipts, although the Budget 2013 decision to abolish contracting out from National Insurance contributions will also raise the tax-to-GDP ratio significantly in 2016/17
  - 1.3.2. Public spending has been revised down by £2.0 billion in 2014/15 and by £7.7 billion in 2015/16, the final years for which the Government has set detailed spending plans. By 2018/19, the downward revision reaches £23.5 billion. This largely reflects lower debt interest payments, due to the fall in market interest rates since March. But the Government has also tightened the implied squeeze on departmental spending on public services from 2016/17 to the end of the forecast and of the next Parliament.
- 1.4. On the Government's latest plans and medium-term assumptions, we are now in the fifth year of what is projected to be a ten-year fiscal consolidation. Relative to GDP, the budget deficit has been halved to date, thanks primarily to lower departmental spending (both current and capital) and lower welfare spending. The tax-to-GDP ratio has risen little since 2009/10. Looking forward, the Government's policy assumption for total spending implies that the burden of the remaining consolidation would fall overwhelmingly on the day-to-day running costs of the public services – and more so after the Autumn Statement

2014. Between 2009/10 and 2019/20, spending on public services, administration and grants by central government is projected to fall from 21.2% to 12.6% of GDP and from £5,650 to £3,880 per head in 2014/15 prices. Around 40% of these cuts would have been delivered during this Parliament, with around 60% to come during the next. The implied squeeze on local authority spending is similarly severe.

- 1.5. As Chart C1 illustrates, total public spending is now projected to fall to 35.2% of GDP in 2019/20, taking it below the previous post-war lows reached in 1957/58 and 1999/00 to what would probably be its lowest level in 80 years. Receipts are projected to end the forecast broadly in line with their average share of GDP over the past 20 years.

**Chart C1 Total Public Sector Spending and Receipts**



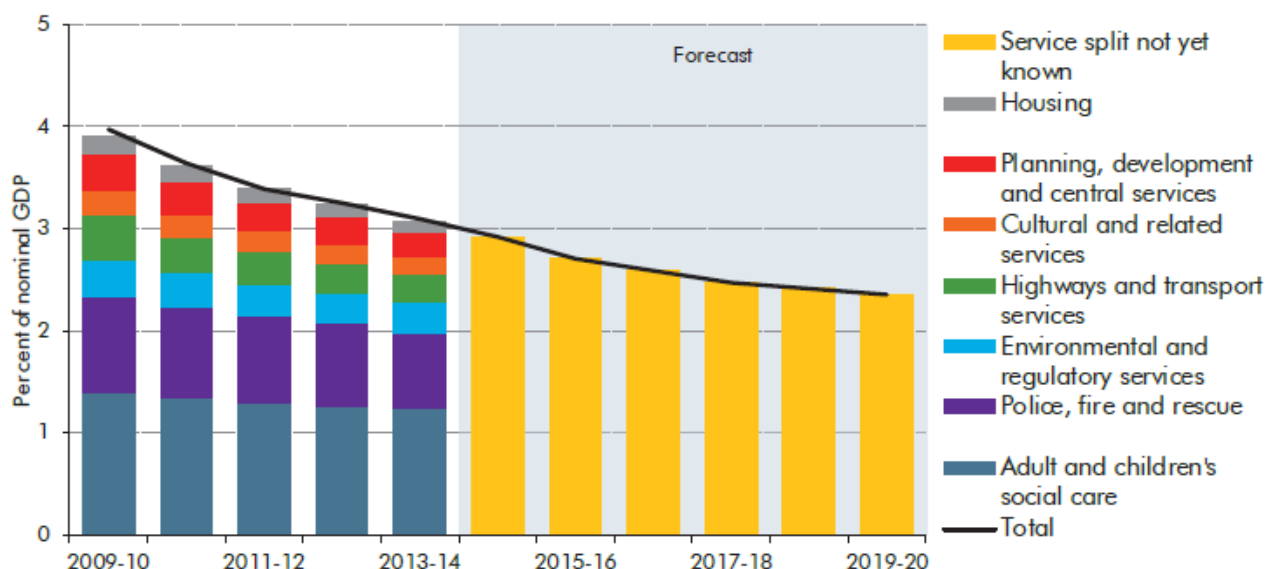
Source: ONS, OBR

## 2. Locally Financed Current Expenditure

- 2.1. The OBR produce a forecast of local authority spending by forecasting the sources of income that local authorities use to finance their spending. They also make an assumption about the extent to which spending will be lower or higher than income, thereby adding or subtracting from local authorities' reserves.
- 2.2. The forecast of current spending is largely driven by the forecasts for council tax and retained business rates in England. The forecast profile for council tax is reduced in 2014/15 and 2015/16 by the availability of council tax freeze grant in England, which runs until 2015/16. This has kept average council tax increases down to 0.9% in 2014/15, as 60% of local authorities have frozen their tax levels and taken up the council tax freeze grant. In 2015/16, the OBR expect a similar rise. After 2015/16, they assume that council tax in England, Scotland and Wales will rise in line with CPI inflation.

- 2.3. The most difficult judgement for the current forecast is the extent to which English local authorities will continue to underspend their current budgets and add to their current reserves. English local authorities have added to their current reserves in every year from 2010/11 to 2013/14. This occurred despite substantial reductions in their current spending. In the years immediately before 2010/11, local authorities spent more than they forecast in their budget returns to DCLG. By contrast, since 2010/11, they have underspent against their budgets. The largest underspend to date has been £4.2 billion in 2013/14.
- 2.4. The OBR forecast the extent to which local authorities will continue to cut their current spending in absolute terms and relative to their income i.e. the extent to which they will continue to add to reserves. Chart C2 shows how local authorities have reduced their spending across the main services that they provide. It also shows the OBR forecast of their income in future years, based on assumptions about grants from central government.

**Chart C2 Local Authority Current Spending in England**



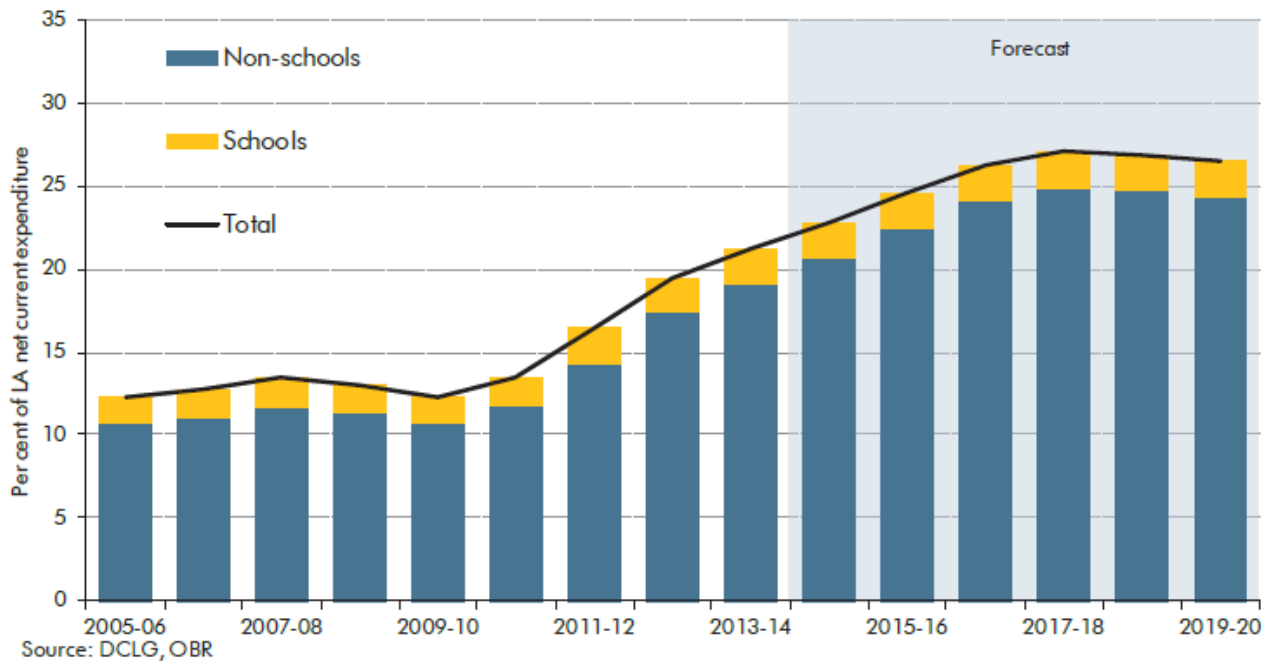
Source: DCLG, OBR

1. Total current spending excludes education and public health, where data are not comparable across years, and also excludes housing benefit, which is largely funded by central government. 2. Total spending from 2016-17 derived on the assumption that central government grants to local authorities decline in line with total implied PSCE in RDEL

- 2.5. One conclusion that the OBR has drawn is that local authorities may be using their 'earmarked' reserves to help manage the effect of expected future reductions in their spending, and manage the additional uncertainties about key aspects of their future income. It is also clear that there are differences in financial conditions and pressures across local authorities.

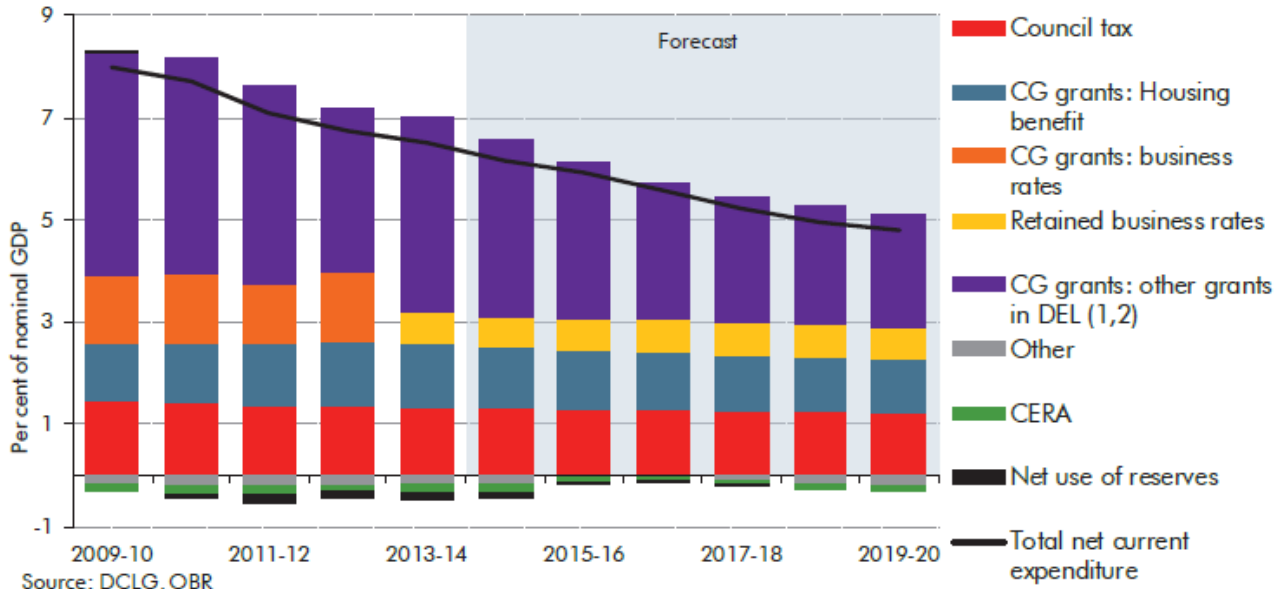
2.6. The OBR forecasts that English local authorities will add to their current reserves by £1.5 billion in 2014/15. They assume that they will continue to add to their reserves, but by decreasing amounts, until 2018/19, and that they will be flat thereafter. Chart C3 shows that this is consistent with local authorities' current reserves rising as a percentage of their current spending until 2018/19.

**Chart C3 Local Authority Current Reserves in England, Relative to Net Current Expenditure**



2.7. The forecast of total local authority spending depends critically on the level of central government grants to local authorities, which will be allocated from departmental expenditure limits (DELs) in future local government settlements. The OBR forecasts do not try to predict any change in the current allocation of spending between central government departments spending and central government grants to local authorities. Chart C4 shows how the forecast for local authority current spending is constructed from the sources of finance. The forecasts for the years after 2015/16 assume that local authority grants account for the same proportion of spending in 2015/16. However, the amount that will be allocated to local government grants will depend on the next Government's choices on future DEL spending.

Chart C4 Composition of Local Authority Financing in England



Source: DCLG, OBR

<sup>1</sup> Central government grants in DEL from 2013-14 includes funding for business rates not retained by local authorities.

<sup>2</sup> Figures for central government grants to local authorities in DEL after 2015-16 are assumed to decline in line with total implied PSCE in RDEL

Medium Term Financial Plan (MTFP) 2015/16 to 2019/20 (Item 7) - Addendum

Updated Model - this replaces Table 1.1 Current Model (page 46)

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Base Budget	28,988	28,808	28,909	27,996	28,059	27,692
Pay Adjustment	225	213	525	222	224	204
Inflation Adjustment	86	88	90	95	95	110
Savings	-613	-1,096	-622	-266	-684	-608
Growth	420	897	-553	34	-2	0
Previous year savings & growth adjustments	-702	-888	-136	-22	0	0
Precept growth and collection fund surplus	280					
Revenue Contribution to Capital	124	887	-216			
<b>Net Budget Requirement</b>	<b>28,808</b>	<b>28,909</b>	<b>27,997</b>	<b>28,059</b>	<b>27,692</b>	<b>27,398</b>
Govt Funding	-6,013	-5,170	-4,009	-2,888	-2,232	-1,508
Business Rates	-4,509	-5,158	-4,971	-5,138	-5,310	-5,487
Council Tax Receipts Surplus/Deficit	-298	-329				
Council Tax Freeze Grant	-178	-182				
Specific Grants (S.31)	-1,178	-1,099	-1,099	-1,099	-1,099	-1,099
Council Tax Receipts	-16,632	-16,971	-17,212	-17,341	-17,471	-17,602
<b>Total Funding Available</b>	<b>-28,808</b>	<b>-28,909</b>	<b>-27,291</b>	<b>-26,466</b>	<b>-26,112</b>	<b>-25,696</b>
Shortfall for year	0	0	706	1,593	1,580	1,702
Cumulative savings requirement	0	0	706	2,299	3,879	5,581



<b>Business Rates Funding Changes (£000)</b>	<b>Baseline</b>	<b>NDR</b>	<b>s31</b>	<b>Total</b>	<b>Increase</b>
Aylesbury Vale	491	484	33	517	26
Chiltern	205	202	16	218	13
South Bucks	298	358	11	369	71
Wycombe	696	837	24	861	165
Milton Keynes UA	1,426	1,586	53	1,639	213
Top-up Grant	1,554	1,554	0	1,554	0
<b>Total</b>	<b>4,670</b>	<b>5,021</b>	<b>137</b>	<b>5,158</b>	<b>488</b>

**This amount (highlighted blue) has been shown as increased growth in 2015/16 (reversed in 2016/17) in order to increase the contingency for one-year only**

<b>Council Tax Surplus/Deficit (£000)</b>	<b>Original</b>	<b>Updated</b>	<b>Increase</b>
Aylesbury Vale		99	99
Chiltern	28	28	0
South Bucks	-19	-19	0
Wycombe		80	80
Milton Keynes UA	104	141	37
<b>Total</b>	<b>113</b>	<b>329</b>	<b>216</b>

**This amount (highlighted green) has been shown as an increased Revenue Contribution to Capital in 2015/16 (reversed in 2016/17) in order to increase the contribution for one-year only**

**The total increase in funding and therefore net budget requirement for 2015/16 compared to the original paper is (£000)**

**704**

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## Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Fire Authority
<b>DATE OF MEETING</b>	18 February 2015
<b>OFFICER</b>	Graham Britten, Director of Legal and Governance
<b>LEAD MEMBER</b>	Councillor Adrian Busby
<b>SUBJECT OF THE REPORT</b>	<b>Annual Report on Regulation of Investigatory Powers Act 2000 (RIPA)</b>
<b>EXECUTIVE SUMMARY</b>	<p>The statutory guidance relating to RIPA requires that the Authority:</p> <ol style="list-style-type: none"> <li>1. Receive an update at least annually of the use by the Authority of surveillance and use of Covert Human Intelligent Sources (CHIS) (Annexes A and B).</li> <li>2. Have the opportunity to review the CHIS and Surveillance policy annually (Annex C).</li> </ol> <p>The Authority has had no requirement to use RIPA for enforcing the Regulatory Reform (Fire Safety) Order 2005 since the last report in February 2014.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	<p>It is recommended that:</p> <ol style="list-style-type: none"> <li>i. the report be noted</li> <li>ii. the revised policy (annex C) be approved.</li> </ol>
<b>RISK MANAGEMENT</b>	<p>Non-compliance with RIPA could also result in non-compliance with the Data Protection Act (DPA). Under both RIPA and the DPA there are criminal and/or civil sanctions for breaches of personal information which may result in reputational and financial damage to the Authority.</p>
<b>FINANCIAL IMPLICATIONS</b>	None directly arising from the recommendations.
<b>LEGAL IMPLICATIONS</b>	<p>On 10 December 2014 revised versions of the two codes of practice under Part two of RIPA came into force as a result of two statutory instruments made on 19 November 2014:</p> <ul style="list-style-type: none"> <li>• the Regulation of Investigatory Powers (Covert Surveillance and Property Interference: Code of Practice) Order 2014</li> <li>• the Regulation of Investigatory Powers (Covert</li> </ul>

	Human Intelligence Sources: Code of Practice) Order 2014.
<b>HEALTH AND SAFETY</b>	None.
<b>EQUALITY AND DIVERSITY</b>	None.
<b>USE OF RESOURCES</b>	Maintaining a RIPA compliant policy and associated procedures involves periodic training for relevant staff to maintain competence.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<p>Background</p> <p>Since the introduction of RIPA (2000) there have been a number of amendments to the Act and related Codes of Practice. These are reported to the Authority, at least, annually to note and to request approval to policy changes. In 2009 Fire and Rescue Services were consulted as to whether to maintain their status as "listed bodies" <a href="#">Fire Service Circular FRSC29 2009</a>. The decision to maintain listed body status means that the Authority must ensure that it has adequate relevant policies and procedures in place.</p> <p>Background papers</p> <ul style="list-style-type: none"> <li>• <a href="#">Annual RIPA report 18 April 2012</a>, Item 8.</li> <li>• <a href="#">Office of Surveillance Commissioner's Inspection Report. Executive Committee 8 August 2012</a> Item 15.</li> <li>• <a href="#">Code of practice for the interception of communications</a> (8 September 2010)</li> <li>• <a href="#">Code of practice for investigation of protected electronic information</a> ( 8 September 2010)</li> <li>• <a href="#">Code of practice for the acquisition and disclosure of communications data</a> (8 September 2010)</li> <li>• <a href="#">Interception of communications: code of practice</a> (12 March 2010)</li> <li>• <a href="#">Covert Human Intelligence Source Code of Practice</a></li> <li>• <a href="#">Regulation of Investigatory Powers (Juveniles) Order 2000</a></li> <li>• <a href="#">The Regulation of Investigatory Powers (Covert Human Intelligence Sources: Code of Practice)</a></li> </ul>

	<p><a href="#">Order 2014.</a></p> <ul style="list-style-type: none"> <li>• <a href="#">Regulation of Investigatory Powers 2000</a></li> <li>• <a href="#">Chief Surveillance Commissioner's annual report 28 September 2014</a></li> </ul> <p>Since the last report (19 February 2014), revised versions of the two codes of practice under <a href="#">Part 2 of the Regulation of Investigatory Powers Act 2000</a> came into force (10th December 2014):</p> <ul style="list-style-type: none"> <li>• <a href="#">The Regulation of Investigatory Powers (Covert Surveillance and Property Interference: Code of Practice) Order 2014</a> and</li> <li>• <a href="#">the Regulation of Investigatory Powers (Covert Human Intelligence Sources: Code of Practice) Order 2014.</a></li> </ul> <p>and the Home Office has introduced a <a href="#">Surveillance Camera Code of Practice (June 2013)</a>. The ICO has also revised its CCTV Code of Practice <a href="#">In the picture: A data protection code of practice for surveillance cameras and personal information</a> to ensure that authorities use surveillance cameras lawfully.</p> <p>There is also an extensive list of other changes that Sam Lincoln (Chief Surveillance Inspector 2006 – 2013) has noted in a recent article (posted 5 January 2015). Annex B is based on this article.</p> <p><a href="https://actnowtraining.wordpress.com/2015/01/05/the-new-ripa-surveillance-codes-key-changes/">https://actnowtraining.wordpress.com/2015/01/05/the-new-ripa-surveillance-codes-key-changes/</a></p>
<b>APPENDICES</b>	<p>Annex A: RIPA Update.                  Annex B: BMKFA CHIS and Surveillance Policy                  Annex C: The changes to the Codes of Practice</p>
<b>TIME REQUIRED</b>	5 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Gerry Barry, Information Governance and Compliance Manager  <a href="mailto:gbarry@bucksfire.goc.uk">gbarry@bucksfire.goc.uk</a>                  01296 744442 or 07920 710637</p>

## Annex A RIPA Update

In recent years there have been a number of changes in legislation to reflect concerns as to the misuse of surveillance systems and other intrusive technologies.

The Home Office: Surveillance Camera Code of Practice (2013) governs the use of surveillance camera systems including CCTV and Automatic Number Plate Recognition (ANPR).

The Information Commissioner's Office (ICO) has also published its revised code of practice on CCTV (October 2014) which aims to reflect the developments in technologies that have taken place since the 2008 revision and explain the impact that case law has had on this area of surveillance systems.

In the Chief Surveillance Commissioner's annual report (September 2014) he drew attention to the use of the Internet for investigations; particularly involving social networking sites, and suggests that a RIPA authorisation may be required for some online investigations.

On 10 December 2014 revised versions of the two codes of practice under Part 2 of the Regulation of Investigatory Powers Act 2000 (RIPA) came into force:

- The Regulation of Investigatory Powers (Covert Human Intelligence Sources: Code of Practice) Order 2014 and
- The Regulation of Investigatory Powers (Covert Surveillance and Property Interference: Code of Practice) Order 2014.

Paragraph 2.29 of the revised covert surveillance code states:

*"The use of the internet may be required to gather information prior to and/or during an operation, which may amount to directed surveillance. Whenever a public authority intends to use the internet as part of an investigation, they must first consider whether the proposed activity is likely to interfere with a person's Article 8 rights, including the effect of any collateral intrusion. Any activity likely to interfere with an individual's Article 8 rights should only be used when necessary and proportionate to meet the objectives of a specific case. Where it is considered that private information is likely to be obtained, an authorisation (combined or separate) must be sought as set out elsewhere in this Code. Where an investigator may need to communicate covertly online, for example contacting individuals using social media websites, a CHIS authorisation should be considered."*

Paragraph 4.32 of the revised CHIS code states:

*"The use of the internet may be required to gather information prior to and/or during a CHIS operation, which may amount to directed surveillance. Alternatively the CHIS may need to communicate online, for example this may involve contacting individuals using social media websites. Whenever a public authority intends to use the internet as part of an investigation, they must first consider whether the proposed activity is likely to interfere with a person's Article 8 rights, including the effect of any collateral intrusion. Any activity likely to interfere with an individual's Article 8 rights should only be used when necessary and proportionate to meet the objectives of a specific case. Where it is considered that private information is likely to be obtained, an authorisation (combined or separate) must be sought as set out elsewhere in this Code."*

## **Annex B The New RIPA Surveillance Codes: Key Changes**

The revised codes implement the amendments to RIPA resulting from the legislation enacted since the last codes were published namely: the Regulation of Investigatory Powers (Extension of Authorisation Provisions: Legal Consultations) Order 2010; to the Protection of Freedoms Act 2012; and the Regulation of Investigatory Powers (Covert Human Intelligence Sources: Relevant Sources) Order 2013. There are some other important changes.

### **Covert Surveillance and Property Interference Code**

**N.B.** Please note paragraphs numbers in square brackets ([ ]) refer to the paragraph numbering in the Code of Practice:

[2.18] The first sentence is amended to account for the fact that some legal consultations which might otherwise be Directed Surveillance are now to be authorised as Intrusive Surveillance.

[2.24] Examples 3 and 4 have been amended. Applicants are reminded of [1.7] "Examples are included in this code to assist with the illustration and interpretation of certain provisions..."

[2.27] This paragraph has been expanded to include guidance provided by the Surveillance Camera Code of Practice pursuant to the Protection of Freedoms Act.

[2.29] This new paragraph provides important guidance regarding the need to consider whether an authorisation for either Directed Surveillance or a CHIS is required when using the Internet.

[2.30] The third bullet point of this paragraph is amended to differentiate between non-verbal and verbal noise.

[3.7] The original examples 2 and 3 are deleted.

[3.18] This is a new paragraph and covers the use of third party individuals or organisations (for example private investigators and internet researchers). They are acting as agents of the public authority and the need for relevant authorisation must not be ignored.

[3.22] The deletion of reference to Scottish public authorities.

[3.30 - 3.33] These new paragraphs cover the changes to local authority authorisations of Directed Surveillance resulting from the Protection of Freedoms Act 2012.

[3.35] This paragraph amends the requirement for elected members to consider internal reports submitted on a 'regular basis' rather than at least quarterly.

[4.1] The fourth sentence is amended slightly so that the definition of a Member of Parliament is deleted and placed in the glossary at the back of the code.

[5.18] Advises that there is no 'legal' requirement for any further details to be recorded.

[5.20] The footnotes relating to this paragraph have been deleted.

[6.2] Is amended to include directed surveillance.

[8.1] An additional sentence is added directing local authorities to the gov.uk website for further guidance on the recording of magistrates' decisions.

[8.2] A final bullet is included requiring local authorities to retain a copy of the Magistrates' approval order in a centrally retrievable form.

[8.4] This is a new paragraph advising that it is desirable that relevant records should be retained, if possible, for up to five years.

### **CHIS Code of Practice**

[2.4] This alerts the renaming of CHIS previously known as undercover officers to 'relevant source'.

[2.12] The final sentence of this paragraph is an important amendment. It alerts public authorities to the fact that the existence of a CHIS is not a choice for a public authority. All public authorities must acknowledge that a CHIS may appear at any time and must have procedures in place to manage them in accordance with the law.

[2.14] This new paragraph obliges 'relevant sources' to comply with the College of Policing Code of Ethics.

[2.15] This is a new paragraph obliging the authorisation of activity known as 'legend building'.

[2.16] This new paragraph notes that not all human source activity will meet the definition of CHIS.

[2.17] This new paragraph introduces the concept of a public volunteer in addition to the previously existing concept of a human source with a professional or statutory duty.

[3.12] This paragraph is amended in recognition that the 2013 Order introduced enhanced arrangements.

[3.22] The amendment to this paragraph emphasises that the enhanced arrangement for relevant sources relies on accurate recording of the length of deployment of each relevant source.

[3.26 – 3.27] This new section is specific to the use of CHIS by local authorities and the approval by magistrates. It highlights differences between authorities in England and Wales, Scotland, and Northern Ireland. Similar direction is provided to the need for elected member review.



[4.3] A reminder that 'relevant sources' are subject to enhanced arrangements when accessing legally privileged and other confidential information.

[4.31] There is an addition to cover the engagement of a member of a foreign law enforcement agency.

[4.32] There is an important new paragraph covering the considerations necessary to authorise the use and conduct of a CHIS for some online covert activity. It should be read in conjunction with [2.29] of the Covert Surveillance and Property Interference Code of Practice.

[5.10] This new paragraph clarifies the enhanced arrangements for relevant sources.

[5.15] Two sentences are added to this paragraph. The first states that local authorities are no longer able to orally authorise the use of RIPA techniques. The second relates to out of hours arrangements.

[5.16] Amended to introduce additional information to include at review; namely the information obtained from a CHIS and the reasons why executive action is not possible if that is the case.

[5.21 and 5.22 – 5.26] These new paragraphs relate to enhanced arrangements for the use and conduct of relevant sources. They provide detail regarding timings and, importantly, the calculation of total or accrued deployment or cumulative authorisation periods.

[5.29] Additional sentence requiring an Authorising Officer to satisfy themselves that all welfare issues are addressed at the time of CHIS cancellation.

[5.30 – 5.31] These new paragraphs relate to the refusal of an Ordinary Surveillance Commissioner to approve a long term authorisation. Importantly, it obliges public authorities to plan for the safe extraction of a relevant source if an authorisation is refused.


[6.6] Adds a final sentence recognising concerns raised by the Office of the Surveillance Commissioner in relation to traditional police appointments and their responsibilities as defined by RIPA.

[7.3] Similar to [8.4] of the Covert Surveillance and Property Interference Code revision, this new paragraph (and amendment of [7.1] and [7.6]) recommends that relevant RIPA records should be retained for five years if possible.

[7.6] The addition of a bullet point requires that the decision of an Ordinary Surveillance Commissioner should be retained.

**Based on the Act Now article by Sam Lincoln (Chief Surveillance Inspector 2006 – 2013)**

**Annex C CHIS and Surveillance Policy**

	<b>Information Asset Owner:</b>	<b>Director of Legal &amp; Governance</b>
	<b>Page :</b>	<b>1 of 9</b>
<b>Policy Note: CHIS and Surveillance Policy</b>		

**1. Record history**

- 1.0 First issue
- 2.0 Amended to reflect changes in legislation
- 3.0 Amended to reflect changes in legislation that came into effect in December 2014 (highlighted in yellow).

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- 2. Introduction .....2
- 3. Purpose.....2
- 4. Access to communication data .....2
- 5. Implementation .....2
- 6. Basic requirements .....2
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- 8. Authorisation and duration ..... 3
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- 10. Evidence .....3
- 11. Covert human intelligence sources (CHIS).....4
- 12. Chis .....4
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## **2. Introduction**

- 2.1 Some Authority activities may require the use of covert surveillance as part of its enforcement functions. The Regulation of Investigatory Powers Act 2000 (RIPA) provides the statutory framework for the granting of authority to carry out surveillance.
- 2.2 The Authority is fully committed to complying with the Human Rights Act 1998 (HRA) and the Regulation of Investigatory Powers Act 2000 (RIPA). To ensure compliance, all covert surveillance and use of covert human intelligence source (CHIS), falling within the scope of the Act carried out by officers of the Authority, must be authorised by a designated 'Authorising Officer'.
- 2.3 In complying with RIPA, officers must have full regard to the Code of Practices issued by the Home Office which can be found at:
  - [Code of practice for the interception of communications](#)
  - [Code of practice for investigation of protected electronic information](#)
  - [Code of practice for the acquisition and disclosure of communications data](#)
  - [Code of Practice for the use of Human Intelligence Sources](#)

## **3. Purpose**

The purpose of this document is to set out the Authority's policy on RIPA, reinforce the requirements of the Act, the Order and Codes of Practice, provide guidance to officers, protect the rights of individuals and minimise the risk of legal challenge as a result of officer actions.

## **4. Access to communication data**

- 4.1 The Authorities investigating criminal offences have powers (by virtue of The Regulation of Investigatory Powers (Communications Data) Order 2004 ("the Order")) to gain access to information held by telecommunication or postal service providers about the use of their services by persons who are the subject of criminal investigations.

## **5. Implementation**

- 5.1 On approval, this policy will be published on the Authority intranet, supporting procedures will be updated and also published on the Authority intranet and other training rolled out to officers, proportionate to their role, as required.

## **6. Basic requirements**

- 6.1 Under RIPA, the Order and Codes of Practice, directed covert surveillance, use of CHIS and access to communications data should only be authorised if the Authorising Officer is satisfied that:
  - a) The action is necessary for the prevention or detection of crime or the prevention of disorder.
  - b) The surveillance/access to communications data is proportionate. A measure or action is proportionate if it:

- impairs as little as possible the rights and freedoms of the individual concerned and of innocent third parties.
- is carefully designed to meet the objectives in question, is not arbitrary, unfair or based on irrational considerations.

c) Three essential elements must be met:

- the proposed covert surveillance is proportional to the mischief under investigation;
- is proportional to the degree of anticipated intrusion on the target and others; and
- is the only option, other overt means having been considered and discounted.

## **7. Types of surveillance**

- 7.1 Covert surveillance is surveillance that is carried out in a manner to ensure that the persons subject to the surveillance are unaware that it is or may be taking place. Surveillance may be 'directed' or 'intrusive'.
- 7.2 The Authority is not authorised to conduct Intrusive Surveillance, or to interfere with the property of others whilst conducting directed surveillance.
- 7.3 Intrusive surveillance – is carried out in relation to anything taking place on any residential premises or in any private vehicle by an individual on the premises or in the vehicle or is carried out by means of a surveillance device. Although a surveillance device not on or in the premises/vehicle will only be intrusive if it consistently provides information of the same quality and detail as might be expected to be obtained for a device actually on/in the premises/vehicle.
- 7.4 Directed surveillance – is covert, but not intrusive and is undertaken for the purposes of a specific investigation or operation and involving the observation of a person or persons in order to gather private information about them (which can include information about persons at work). Covert surveillance includes monitoring, observing or listening to persons without their knowledge.
- 7.5 Deciding when authorisation under RIPA is required involves making a judgement. Where surveillance is covert and is directed at individual(s) to obtain information about them, RIPA is likely to apply and prior authorisation obtained in accordance with this policy.
- 7.6 Directed surveillance must be authorised, in accordance with this policy, and only be used for legitimate purposes, when sufficient evidence exists and documented to warrant the exercise and when surveillance is shown to be both the least harmful means of meeting that purpose and proportionate to what it seeks to achieve.
- 7.7 It is imperative that all reasonable alternative methods to resolve a situation, such as naked-eye observation, interview or changing methods of working or levels of security should be attempted first and recorded in writing with the reason for surveillance being requested fully documented. Where the subject of covert surveillance is an employee, the Authority's Legal Officer (the Director of Legal & Governance) must be informed.

## **8. Authorisation and duration**

- 8.1 All requests to conduct, extend or discontinue a covert surveillance exercise must be made in writing on the appropriate forms. All requests must be submitted to the Authorising Officer. All requests and extensions must be considered and authorised in writing, by the Authorising Officer, before any covert surveillance operation can commence or continue.
- 8.2 Authorisation can only be granted where covert surveillance is believed, by the Authorising Officer, to be necessary and proportionate. Written authorisations for direct covert surveillance will be valid for 3 months from the date of the original authorisation or extension, the Authorising Officer is responsible for ensuring that surveillance is cancelled as soon as it is no longer required.
- 8.3 if during the investigation it becomes clear that the activity being investigated does not amount to a criminal offence or that it would be a less serious offence that does not meet the threshold the use of directed surveillance should cease. If a directed surveillance authorisation is already in force it should be cancelled.
- 8.4 Applications for renewals should not be made until shortly before the original authorisation period is due to expire but the Authority must take account of factors which may delay the renewal process (e.g. intervening weekends or the availability of the relevant Authorising Officer).

## **9. Authorising Officer**

The Authorising Officer will be a post holder in the role of Group Manager or above.

## **10. Evidence**

- 10.1 During a covert operation, recorded material or information collected will be stored and transported securely. It will be reviewed regularly (at least weekly) and access to it will be restricted to the Authorising Officer and the Enforcement Officers concerned.
- 10.2 The Authorising Officer will decide whether to allow requests for access by third parties. Access will generally only be allowed to limited and prescribed parties including law enforcement agencies, prosecution agencies, legal representatives and the people subject to the surveillance (unless disclosure would prejudice any criminal enquiries or proceedings). Authorising Officers will maintain a record of all reviews of material recorded and collected covertly.
- 10.3 Once a covert operation results in an individual being under suspicion of having committed a criminal offence, he/she must be informed of this as promptly as is reasonably practicable if the fire authority is pursuing the offences. This is in order to ensure their right to a fair trial or hearing within a reasonable time in accordance with the Human Rights Act.
- 10.4 In a situation where it is considered that a matter gives rise to a potential criminal prosecution, any interview with the suspect must be 'under caution' and conducted by a suitably trained officer.

## **11. Covert human intelligence sources**

- 11.1 A person is a CHIS if they:

- a) establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraphs (b) or (c) below;
- b) covertly use such a relationship to obtain information or to provide access to any information to another person; or
- c) covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

11.2 A CHIS may be required to establish or maintain a personal or other relationship for a covert purpose, i.e. one which the person with whom the relationship is established is unaware of. A CHIS is "tasked" to obtain information, provide access to information or to otherwise act, incidentally, for the benefit of the Authority. Authorisation for the use or conduct of a CHIS is required prior to any tasking where such tasking requires the source to establish or maintain a personal or other relationship for a covert purpose.

11.3 The Code of Practice strongly recommends that the Authority consider an authorisation whenever the use or conduct of CHIS is likely to engage an individual's rights under Article 8, whether this is through obtaining information, particularly private information, or simply through the covert manipulation of a relationship. An authorisation will be required if a relationship exists between the subject and the CHIS, even if specific information has not been sought by the Authority.

11.4 However, the provisions of the 2000 Act do not apply in circumstances where members of the public volunteer information as part of their normal civic duties, or to contact numbers set up to receive information e.g. Crime stoppers or Anti-Fraud Hotline. Members of the public acting in this way would not generally be regarded as sources. A routine test purchase which does not go beyond a normal transaction is unlikely to be considered a CHIS activity.

11.5 The use of CHIS by the Authority is likely to be infrequent. A judgement must be made in determining when an individual taking part in an investigation may be acting as a CHIS and if in any doubt, should seek advice from the Authorising Officer.

## **12. Chis authorisation**

12.1 The same principles and procedures apply for the authorisation of CHIS as for directed surveillance. The Authorising Officer may authorise the use of CHIS if they are satisfied that it is necessary and proportionate to do so, and arrangements are in place for managing a CHIS.

12.2 Applications to use, extend or discontinue the use of CHIS must be made in writing.

12.3 Written authorisations for CHIS will be valid for 12 months from the date of authorisation or extension. Exceptionally, an oral authorisation may be granted for the use of a CHIS in circumstances of urgency.

12.4 An oral authorisation will be valid for 72 hours but will be subject to the same requirements as that set out in part 2 relating to urgent authorisations for directed surveillance. As with directed surveillance, the Authorising Officer is responsible for ensuring that authorisation is cancelled as soon as it is no longer

required, and that reviews of authorisations are carried out on at least a monthly basis.

- 12.5 There are additional considerations which must be taken into account before the use of a CHIS can be authorised. These relate to the security, welfare and management of the source and records relating to his/her use. Details of these issues are set out in paragraphs 14.1 – 14.3 below.
- 12.6 Material obtained from a CHIS may be used as evidence in criminal proceedings and the proper authorisation of a CHIS should ensure the legality of such evidence.
- 12.7 Before authorising the use of a CHIS, the Authorising Officer and Enforcing Officers must ensure that, as far as is possible, measures are taken to avoid unnecessary intrusion into the lives of those not directly connected with the investigation.
- 12.8 An authorisation for a CHIS may be in broad terms and highlight the nature of the CHIS's task. However, where it is intended to task a source in a new or significantly greater way, the handler or controller must refer the proposed tasking to the Authorising Officer, who should consider whether a separate authorisation is required.

### **13. Management of the source**

- 13.1 The Authorising Officer must not grant an authorisation for the use or conduct of a source unless he/she has appointed a person who is responsible for having day to day contact with the source, and a person with the responsibility for the general oversight of the use of the source.
- 13.2 The person with day to day responsibility will be a 'Handler' and will deal with the CHIS on behalf of the Authority, direct the day to day activities of the CHIS, record the information supplied by him/her and monitor the security and welfare of the CHIS. Meetings with the source must be recorded, along with details of meeting between the source and the subject of the investigation. Where there are unforeseen occurrences, these should be recorded as soon as practicable after the event, and the authority checked to ensure that it covers the circumstances that have arisen.
- 13.3 The person with the general oversight of the CHIS will be a 'Controller'.

### **14. Record keeping**

- 14.1 The Regulation of Investigatory Powers (Source Records) Regulations 2000 provides that the following records must be kept when a CHIS is authorised:
- The identity of the source.
  - The identity, where known, used by the source.
  - Any relevant investigating authority, other than the Authority, maintaining the records.
  - The means by which the source is referred to within each relevant investigating authority.

- Any other significant information connected with the security and welfare of the source.
- Any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that relevant information has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source.
- The date when, and the circumstances in which, the source was recruited.
- The identifies of the persons who will act as handler, controller and person responsible for maintaining records of the use of the source.
- The periods during which those persons have discharged those responsibilities.
- The tasks given to the source and the demands made of him in relation to his activities as a source.
- All contacts or communications between the source and the authority's handler.
- The information obtained by the authority by the conduct or use of the source.
- Any dissemination by that authority of information obtained in that way.
- Any payment benefit or reward made or provided to the source (other than where the source is an authority employee acting as an undercover operative).

14.3 The Code of Practice on the use of CHIS also contains additional advice on records to be kept in relation to a source. In addition to the authorisation forms, risk assessment, and the above information, a record should be kept of the circumstances in which tasks were given to the source and the value of the source to the authority.

14.4 The records must be kept in a way that preserves the confidentiality of the source and the information provided by him/her. Records must not be made available to officers unless it is necessary for them to do so.

14.5 The Authorising Officer must not authorise the use of a CHIS until an appropriate officer has been designated as the person with responsibility for maintaining a record of the use made of the CHIS, and arrangements are in place for ensuring that the records will be kept securely.

14.6 All records will be protectively marked, in accordance with the Authority Protective Marking Scheme, to assist in protecting their confidentiality.

## **15. Safety & security**

15.1 Prior to the authorising of a CHIS, the Authorising Officer shall have regard to the safety and welfare of the CHIS and shall continue to have such regard, throughout the use of the CHIS. The safety and welfare of the CHIS after the authorisation has been cancelled or where the investigation has been closed must also be taken into account at the outset. Officers seeking authorisation to use a CHIS must consider the corporate risks to determine the risk to the source of any tasking and the likely consequences should the role of the source become known. The nature and magnitude of risk to the source must be identified and evaluated. Risk on a personal, operational and ethical basis must be considered.



These risk assessments must be taken into account by the Authorising Officer in deciding whether it is appropriate for authorisation to be granted for the use of the CHIS, along with the usual considerations of proportionality, necessity etc. The Authorising Officer must satisfy him/herself that any risks identified are justified in relation to the investigation, and that any identified risks have been properly explained and understood by the source. A copy of the risk assessment must be kept in accordance with the preceding paragraph.

15.2 The handler of the CHIS will be responsible for bringing any concerns about the personal circumstances of the source to the attention of the controller, in so far as they may affect the validity of the risk assessment, the conduct of the source and the safety and welfare of the source. Where appropriate such concerns should be brought to the attention of the Authorising Officer and a decision taken on whether or not to allow the authorisation to continue.

15.3 The use of vulnerable individuals or juveniles for a CHIS purpose must only be authorised by the Chief Fire Officer/ Chief Executive or the Chief Operating Officer and only in the most exceptional cases. The Authorising Officer must also abide by the Code of Practice relating to juveniles. On no account should the use or conduct of a source under 16 years of age be authorised to give information where the relationship to which the use of the source relates is between the source and his parents or any person who has parental responsibility for him. In other cases authorisation should not be granted unless the special provisions contained within the Regulation of Investigatory Powers (Juveniles) Order 2000 are satisfied. These requirements relate to the presence of an appropriate adult (e.g. a parent) at meetings with the source and consideration of risk assessments. Authorisation of juvenile CHIS may only be granted by the Chief Fire Officer/ Chief Executive or the Chief Operating Officer (or equivalent) and the duration of such an authorisation will be only one month, rather than twelve months.

## **16. Annual review**

16.1 The Authority should review use of RIPA and set the policy at least once a year. They should also consider internal reports on use of the 2000 Act **on a regular basis** to ensure that it is being used consistently with the policy and that the policy remains fit for purpose. They should not, however, be involved in making decisions on specific authorisations.

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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Fire Authority
<b>DATE OF MEETING</b>	18 February 2015
<b>OFFICER</b>	Greg Smith, Head of Service Development
<b>LEAD MEMBER</b>	Councillor Adrian Busby
<b>SUBJECT OF THE REPORT</b>	<b>Emergency Services Mobile Communications Programme (ESMCP)</b>
<b>EXECUTIVE SUMMARY</b>	<p>The Emergency Services Mobile Communications Programme (ESMCP) is a national (Government-led) programme designed to provide effective operational communications systems for all emergency services and responders.</p> <p>As a replacement solution for the current Airwave system, the ESMCP outcomes will provide effective emergency services interoperability and enable enhanced integration between the services.</p> <p>Current Airwave contracts for fire and rescue services are due to expire at the end of 2016. The government are seeking to extend these contracts until the completion of ESMCP. This will ensure continuity until new system cut-over can be achieved. At this stage we anticipate that BMKFRS will cut over to the new system in 2018.</p> <p>The Airwave product has served us well but it cannot provide us with broadband data solutions that we are becoming more and more reliant on. Technological advancements and enhancements since the advent of Airwave will enable a more functionally-rounded solution that will provide effective voice and data communications.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATION</b>	<p>It is recommended that:</p> <ol style="list-style-type: none"> <li>1. the ESMCP programme and progress to date be noted.</li> <li>2. the fact that the potential costs to the Authority have yet to be identified be noted.</li> </ol>
<b>RISK MANAGEMENT</b>	To supplement the identified risks and control measures within the programme and to ensure we consider risks to the Service, the project will be added to the Service Development Risk Register.
<b>FINANCIAL</b>	It is anticipated that there may be financial implications for the Authority. However, the amount and the future funding

<b>IMPLICATIONS</b>	mechanism is unknown at this stage as it is currently being developed by the central programme.								
<b>LEGAL IMPLICATIONS</b>	None arising from the recommendations.								
<b>HEALTH AND SAFETY</b>	<p>It is expected that appropriate programme governance and controls will manage, control and reduce the risks detailed below:</p> <p>Timing - service and industry capacity and pace of transition</p> <p>Resources - HM Treasury funding, programme funding, service resources</p> <p>Decision making - inability to make timely decisions through devolved governance</p> <p>Coordination of multiple procurements</p> <p>Legal challenge leading to delay</p> <p>Transition from existing suppliers</p> <p>Availability of technology and devices</p>								
<b>EQUALITY AND DIVERSITY</b>	<p>The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.</p> <p>It is expected that appropriate centralised programme governance will provide the impact assessments for this programme. We will need to assess local impact as we move to the implementation delivery and transition stage.□</p>								
<b>USE OF RESOURCES</b>	<p>We will establish an implementation team (estimated at this stage to be Spring-Summer 2015) to ensure programme delivery and effective transition. The final composition of this will be detailed once the scope and scale of the work is established.</p> <p>To simplify the implementation and roll-out, the national programme has been sub-divided into regional transition groups based on multi-agency-wide geographical areas. These areas are planned around Ambulance Trust areas. BMKFRS are included within the South Central transition group.</p> <p>The South Central Transition Group consists of the following agencies:</p> <table border="1" data-bbox="560 1727 1169 2063"> <thead> <tr> <th>Organisation</th> </tr> </thead> <tbody> <tr> <td>Isle of Wight Primary Care Trust</td> </tr> <tr> <td>South Central Ambulance</td> </tr> <tr> <td>Buckinghamshire FRS</td> </tr> <tr> <td>Hampshire FRS</td> </tr> <tr> <td>Isle of Wight FRS</td> </tr> <tr> <td>Oxfordshire FRS</td> </tr> <tr> <td>Royal Berkshire FRS</td> </tr> </tbody> </table>	Organisation	Isle of Wight Primary Care Trust	South Central Ambulance	Buckinghamshire FRS	Hampshire FRS	Isle of Wight FRS	Oxfordshire FRS	Royal Berkshire FRS
Organisation									
Isle of Wight Primary Care Trust									
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Royal Berkshire FRS									

	<div style="border: 1px solid black; padding: 2px; text-align: center;">Thames Valley Police</div> <p>The physical resources for the programme will be covered under the centralised procurement strategy. We will seek to explore how we can work collaboratively with other FRS as well as other emergency services to minimise the impact on BMKFRS and deliver greater efficiencies by working effectively together.</p>
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<a href="https://www.gov.uk/government/publications/the-emergency-services-mobile-communications-programme">https://www.gov.uk/government/publications/the-emergency-services-mobile-communications-programme</a>
<b>APPENDICES</b>	None.
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Greg Smith  <a href="mailto:gsmith@bucksfire.gov.uk">gsmith@bucksfire.gov.uk</a>  07703 443942</p>

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# Buckinghamshire & Milton Keynes Fire Authority


<b>MEETING</b>	Fire Authority
<b>DATE OF MEETING</b>	18 February 2015
<b>OFFICER</b>	Lynne Swift, Director of People and Organisational Development
<b>LEAD MEMBER</b>	Councillor Roger Reed
<b>SUBJECT OF THE REPORT</b>	<b>BMKFA Pay Policy Principles and Statement 2015/16</b>
<b>EXECUTIVE SUMMARY</b>	<p>The Authority is required to approve its Pay Policy Principles and Statement before the end of March immediately preceding the financial year to which it relates.</p> <p>For 2015/16 considerations have included; delivery of the recently approved Public Safety plan 2015 to 2020, and potential legislation changes. Resourcing options to adapt and refresh the workforce are being developed during Quarter 4 of 2014/15 for reporting in Summer 2015. Any outcomes from this resourcing review which impact on the Pay Policy Principles and Statement would be proposed as part of the next review of the policy; this could be in year or as part of 2016/17 policy review depending on Public Safety plan timings.</p> <p>The purpose of this report is to recommend for approval to the Fire Authority the Pay Policy Principles and Statement for 2015/16.</p> <p>It is proposed that the attached draft (Appendix 1) be the Authority's revised Pay Policy Principles and Statement for 2015/16. It is based on the Authority's current approved in year amendments to the Pay Policy Principles and Statement for 2014/15, save as amended by additional text underlined (<u>underlined</u>) and deleted text shown struck through (<del>struck through</del>).</p> <p>The Pay Policy Principles and Statement have been revised and minor amendments made to section 17 'Pay Multiple', where the data has been updated.</p> <p>Strategic Resourcing options are being considered on how best to adapt and refresh the workforce, in order to deliver the recently approved Public Safety Plan 2015 to 2020. This review includes collaborative apprenticeships, government funding and appropriate pay and</p>

	<p>remuneration matched to achievements at key stages of the training and development programmes.</p> <p>Any proposed changes to apprenticeship remuneration principles would require in year amendments to the Authority's Pay Policy Principles and Statement.</p>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<p>It is recommended that:</p> <ol style="list-style-type: none"> <li>1. The Pay Policy Principles and Statement at Appendix 1 be agreed for approval by the Fire Authority as its statutory Pay Policy Statement for 2015/16.</li> <li>2. Members are asked to note the requirement for an in year review of the Pay Policy Principles and Statement if outcomes from the resourcing review impact on this policy.</li> </ol>
<b>RISK MANAGEMENT</b>	The Fire Authority is required to adopt and publish a Pay Policy Principles and Statement annually.
<b>FINANCIAL IMPLICATIONS</b>	There are no direct financial implications arising from the Pay Policy Principles and Statement. Any financial impact of subsequent decisions will be factored into the Medium Term Financial Planning process and scrutinised and challenged by members. Any in year impacts will be considered and reported through the budget monitoring process and any resource re-allocation will be subject to the usual virement approvals and limits as set out in the Financial Regulations.
<b>LEGAL IMPLICATIONS</b>	Section 38 of the Localism Act 2011 places a requirement on the Authority to prepare annually, a statement setting out the Authority's policies on the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. Chief officers are the most senior officers of the Authority. Authorities are required to state the definition of lowest paid employees they have adopted in the statement, and explain the reasons for adopting that particular definition. The statement may also set out the Authority's policies relating to other terms and conditions applying to its senior officers. In preparing its statement, the Authority must have regard to any guidance issued or approved by the Secretary of State.



	<p>The 2015/16 Pay Policy Principles and Statement must be approved by the full Authority before 31 March 2015. Approvals cannot be delegated to any committee, sub-committee, or officers.</p> <p>The Pay Policy Principles and Statement may be amended by the full Authority during the financial year to which it applies.</p> <p>Section 41 of the Localism Act 2011 requires the Authority to comply with its Pay Policy Principles and Statement for the relevant financial year when making a determination that relates to the remuneration, or other terms and conditions of a senior officer of the Authority.</p> <p>The Pay Policy Principles and Statement must include the Authority's policies in relation to senior pay on:-</p> <ul style="list-style-type: none"> <li>(a) the level and elements of remuneration</li> <li>(b) remuneration on recruitment</li> <li>(c) increases and additions to remuneration</li> <li>(d) the use of performance related pay</li> <li>(e) the use of bonuses</li> <li>(f) the approach to payment on their ceasing to be employed by the authority, and</li> <li>(g) the publication of and access to information relating to remuneration</li> </ul> <p>The statutory guidance gives discretion as to whether the Authority wishes to mirror these headings in its Pay Policy Principles and Statement in respect of its other employees.</p>
<p><b>HEALTH AND SAFETY</b></p>	<p>No implications.</p>
<p><b>EQUALITY AND DIVERSITY</b></p>	<p>Pay decisions will be subject to the demands of equal pay processes.</p> <p>A People Impact Assessment will be updated, as a minimum annually, as analysis is undertaken on all pay decisions and a review of trends carried out. This will ensure an equitable, transparent, consistent and legally compliant basis for the employment relationship between the Authority and its employees.</p> <p>The resourcing strategic review referred to in the Executive Summary section of this report will include options for government funding for apprentices and</p>

	<p>trainees and pay and remuneration principles, mindful of both the need to attract, develop and retain the right calibre employees and taxpayer value for money. Any proposed changes to apprentices, trainees and pay and remuneration principles would require amendments to the Authority's Pay Policy Principles and Statement.</p>
<p><b>USE OF RESOURCES</b></p>	<p>Adoption of the annual Pay Policy Principles and Statement ensures statutory compliance. However, as the legislation permits in year changes there is scope for the Authority to revisit certain elements to reflect the needs of the service.</p> <p><b>Communication with stakeholders:</b> Following approval of the Pay Policy Principles and Statement, communication will be via the normal policy publication and amendment process.</p> <p><b>Internal Controls:</b> Adherence to the Pay Policy Principles and Statement is controlled via strict establishment and pay change approval process controls</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p>Report to the meeting of the Buckinghamshire and Milton Keynes Fire Authority held 22 October 2014</p> <p><a href="http://bucksfire.gov.uk/files/4214/1320/6133/ITEM_9_In_Year_Amendments_to_BMKFA_Pay_Policy_Principles_and_Statement_2014-15_and_Appendix.pdf">http://bucksfire.gov.uk/files/4214/1320/6133/ITEM_9_In_Year_Amendments_to_BMKFA_Pay_Policy_Principles_and_Statement_2014-15_and_Appendix.pdf</a></p>
<p><b>APPENDICES</b></p>	<p><b>Appendix 1:</b> Draft Pay Policy Principles and Statement 2015/2016 (Part 1: All staff, Part 2: SMB only)</p> <p><b>Annexe A:</b> "Grey Book" pay rates from 1 July 2014</p> <p><b>Annexe B:</b> Support Services staff pay scales from 1 September 2014</p> <p><b>Annexe C:</b> Employee Bonus Payment Setting Scheme and Process</p>
<p><b>TIME REQUIRED</b></p>	<p>10 minutes.</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Faye Mansfield - Human Resources Development Manager</p> <p><a href="mailto:fmansfield@bucksfire.gov.uk">fmansfield@bucksfire.gov.uk</a></p> <p>01296 744623</p>

 <p>Buckinghamshire &amp; Milton Keynes Fire Authority <b>MAKING YOU SAFER</b> PREVENTING PROTECTING RESPONDING WWW.BUCKSFIRE.GOV.UK</p>	<b>Information Asset Owner:</b>	Director: People & Organisational Development
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<b>Policy Note:</b>	<b>Pay Policy Principles and Statement 2015/16</b>	

<b>To:</b>	<b>Document Type:</b>	<input checked="" type="checkbox"/>	<b>Document Summary:</b>
All employees of the Authority, including temporary staff	Policy	<input checked="" type="checkbox"/>	This policy sets out the principles of accountability, transparency and fairness relating to pay. The policy lays down how pay is managed and set for all employees of the Authority including the Strategic Management Board.
	Assessment	<input type="checkbox"/>	
	Procedure	<input type="checkbox"/>	
	Guidance Note	<input type="checkbox"/>	
	Technical Note	<input type="checkbox"/>	
	Information	<input type="checkbox"/>	
	<b>Safety Critical</b>	<input type="checkbox"/>	
<b>Keyword:</b> Pay, pay rates, pay scales, remuneration, performance related pay, pay multiple, bonus			
<b>Please note that as Documents are frequently updated, if you print a document, its accuracy cannot be guaranteed, always check for latest version.</b>			

## Document History:

**First issue:** 15 February 2012

**Second issue:** 13 February 2013. This is the Buckinghamshire and Milton Keynes Fire Authority Pay Policy Statement 2013/2014 for the purposes of the Localism Act 2011 and has been approved by resolution of the full Authority at the meeting of the Buckinghamshire & Milton Keynes Fire Authority on 13th February 2013.

**Third issue:** 19 February 2014. A meeting of the full Authority is required to approve its Pay Policy Statement before the end of the 31 March immediately preceding the financial year to which it relates.

Adoption of the Pay Policy Statement ensures statutory compliance. Legislation permits in-year changes to revisit certain elements to reflect the needs of the service.

**Version 3.1:** Document revised and minor amendments made to terminology, 1 September 2014 Support Services Staff revised pay scales and 1 July 2014 NJC Circular 03/14 pay rates added.

**Version 4.0:** 18 February 2015. 2015/16 Pay Policy Principles and Statement presented to a meeting of the full Fire Authority.

<b>Version:</b>	Version 4.0	<b>Status of document:</b>	Draft
<b>Author:</b>	Director of People and OD	<b>PIA:</b>	Reviewed annually
<b>Issue Date:</b>	Before 1 April 2015	<b>Review Date:</b>	February 2016
<b>File Name</b>	Pay Policy Principles and Statement		




<b>Information Asset Owner:</b>	Director: People & Organisational Development
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## BMKFA Pay Policy Principles and Statement

This document applies to all employees of Buckinghamshire & Milton Keynes Fire Authority (The Authority).

### Principles

#### 1. Accountability

Decisions on pay policies will be taken by elected members - those who are directly accountable to local communities. We will ensure that all democratically accountable members have a significant input into how decisions on pay are made, and that we are open about the policies that determine those decisions.

Our annual Pay Policy Statements, and any amendments to them, will be considered by a meeting of the Fire Authority and will not be delegated to any sub-committee. In scheduling such meetings, we will act in accordance with our responsibilities under part 5A of the Local Government Act 1972. However, we note that the Secretary of State does not consider that any of the grounds for exclusion of the public would be met for discussions of Pay Policy Statements. Such meetings should therefore be open to the public and should not exclude observers. All decisions on pay and reward for chief officers must comply with the current pay policy statement.

The Fire Authority will be offered the opportunity to vote before salary packages (£100,000 plus) are offered in respect of a new appointment. For this purpose, salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment.


#### 2. Transparency

Our Pay Policy Statement, along with our approach to the publication of and access to information relating to remuneration, will be published on our website.

Although we are not required to use our Pay Policy Statement to publish specific numerical data on pay and reward, we will consider how the information within the Pay Policy Statement fits with that data on pay and reward that we publish separately.

This includes that data required to be published under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011.

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### 3. Fairness

We will ensure that decisions about senior pay are taken in the context of similar decisions on lower paid staff salaries, and that the relationship between those decisions is considered. We will consider our proposals for the pay relationship between the remuneration of chief officers and employees who are not chief officers.

We will publish our pay multiple – the ratio between the highest paid employee and the mean average earnings and the lowest paid across the Fire and Rescue Service.

We will set out our approach to the award of other elements of remuneration, including bonuses, performance related pay as well as severance payments.

#### Statement 1 April 2012

##### Part 1 Pay Policy (all staff excluding SMB)

1. All pay decisions will be fair, based on policy and reflecting the requirements of legislation.
2. Our systems will be transparent and well known amongst staff groups and we will discuss planned changes to our systems with the appropriate representative bodies.
3. We will where possible, avoid complex pay systems and in determining pay we will make reference to market rates in order to secure best value for the taxpayer.

##### Level and elements of remuneration

4. Staff are employed under contracts with either the terms and conditions of the NJC for Local Authority Fire and Rescue Services Scheme of Conditions of Service, 2004 "the Grey Book" incorporated; or with the provisions of the Buckinghamshire and Milton Keynes Fire Authority scheme of conditions of Service for Support Services staff.
5. For Grey Book staff, rates of pay are set out in circulars issued by the NJC and entitlements are governed by Part B of the Grey Book.
6. For other staff the pay structure takes the form of pay scales with spinal column points. Progression is based on evidenced performance and would normally occur on 1st April if the required criteria are met; at least six months in post, subject to performance and the maximum grade for the post not being

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exceeded. Incremental progression may be withheld if performance is not to the required standard.

7. Pay scales are inserted in the annexes:

- Annexe A "Grey Book" Pay rates from 1 July 2014
- Annexe B "Support Services staff" Pay scales from 1 September 2014

8. Some members of staff participate in lease car and private healthcare insurance arrangements.

9. The Authority reimburses mileage, travel expenses, subsistence and other expenses (e.g. overnight stays, meals and professional fees) when appropriate and in accordance with the Authority's policy and procedures relating to expenses.

**Remuneration on Recruitment**

10. Remuneration will be based on the evaluated rate for the job, either nationally or locally.

**Increases and additions to remuneration**

11. Additional Responsibility Allowance (ARA) payments for "Grey Book" staff and occasional Honoraria for "Support Services" staff on local terms and conditions, are used to reward increased responsibilities, and duties beyond the normal remit of the role for specific periods, for existing staff to cover managed vacancies for short to medium term periods, enabling successful change management with minimal risk.

12. Any such payments require the signature of two Directors in accordance with the current procedures.

**Use of Performance related pay**

13. Performance related pay is not in operation although certain posts attract performance increments based on skill development.

**Use of bonuses**

14. One off bonus payments may be considered linked to evidenced and scrutinised delivery of performance management objectives and is outlined in Annexe C.

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15. The Authority’s current policies in respect of discretionary payments are in line with the recommendations to be found in the minutes of the Fire Authority on 24 June 2014 titled Local Government Pension Scheme 2014 – Employer Discretions and the minutes of the Executive Committee held on 17 July 2013.

**Publication of and access to information relating to remuneration**

16. We will publish information in accordance with the “Local Government Transparency Code 2014.

**Pay Multiple**

17. The pay multiple is the ratio between the highest paid salary and the median average salary of the Authority’s workforce. The average salary level is defined as the total of all regular payments made to an individual.

Our definition of lowest paid staff are those staff we employ who are paid at rates that are maintained in line with the National Minimum Wage at age 21 or over. We opt not to use lower pay rates permitted under the National Minimum Wage for 16 to 20 year olds or apprentices.

**The current BMKFA pay multiples are;**

The Authority’s pay multiple; the ratio between the highest paid employee and the median average salary figure for all employees in the Authority is:

Highest pay: lowest pay - 11.04:1  
 Highest pay: median pay - 4.77:1

Highest pay: lowest pay is 11.5  
 Highest pay: median pay is 4.87

Year	Highest pay : Lowest pay	Highest pay : Median pay
<u>2015/16</u>	<u>11.04:1</u>	<u>4.77:1</u>
<u>2014/15</u>	<u>11.5:1</u>	<u>4.87:1</u>
<u>2013/14</u>	<u>11.72:1</u>	<u>4.9:1</u>
<u>2012/13</u>	<u>12.7:1</u>	<u>5.0:1</u>

18. It is our intention that salary multiples do not reach the 1:20 ratio referred to in the Hutton Report.

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**Part 2 Pay Policy – Strategic Management Board (SMB)**

SMB members pay arrangements are covered by the National Joint Council for Brigade Managers of Fire and Rescue Services known as the "Gold Book".

**Level and elements of remuneration**

- 19 Senior management remuneration comprises salary, car provision and private medical insurance.
- 20. Gold Book Pay is based on a twin track approach of an annual nationally agreed pay deal and a local pay agreement. SMB Pay Policy includes proposals to consider the implementation of Earn Back Arrangements and addresses the requirements of the Localism Act in relation to the SMB.

**Remuneration on Recruitment**

- 21. Remuneration will be based on the evaluated rate for the job.

**Increases and additions to remuneration**

- 22. Increases and additions for senior management posts will require approval of the appropriate committee of the Authority.

**Use of Performance related pay**

- 23. Performance related pay will be used in the context of the relevant policy, based on "Earn back" principles and will need approval by the appropriate committee.


**Use of Bonuses**

- 24. One off bonus payments may be considered linked to evidenced and scrutinised delivery of performance management objectives.

**Approach on ceasing to hold office or be employed by the Authority**

- |                           |  |
|---------------------------|--|
| 25. Summary dismissal     | dismissal without notice payments                |
| Dismissal with notice     | salary payment in line with contract             |
| Redundancy                | in accordance with service policy                |
| Resignation or leave date | normal salary payment until end of notice period |
| Redeployment              | in accordance with prevailing service policy.    |

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- 26. This Authority does not make payments to senior staff members who leave other than to those who are leaving for the purposes of improved efficiency.
- 27. Re-employment/re-engagement will not normally occur following retirement, however there may be exceptional circumstances where specialist knowledge and expertise are required for a defined period of time in the event of which re-employment/re-engagement may be considered.
- 28. The Fire Authority will be given the opportunity to vote as to the terms of appointment or dismissal of the Chief Fire Officer and Chief Executive, and deputy to the Chief Fire Officer and Chief Executive, or equivalent.

**Publication of and access to information relating to remuneration**

- 29. We will publish information in accordance with the "Local Government Transparency Code 2014".

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**ANNEXE A**

**FIREFIGHTING ROLES - PAY RATES FROM 1st JULY 2014**

	<b>Basic annual £</b>	<b>Basic hourly rate £</b>	<b>Overtime rate £</b>
<b>Firefighter</b>			
Trainee	21,799	9.95	14.93
Development	22,706	10.37	15.56
Competent	29,054	13.27	19.91
<b>Crew Manager</b>			
Development	30,880	14.10	21.15
Competent	32,211	14.71	22.07
<b>Watch Manager</b>			
Development	32,908	15.03	22.55
Competent A	33,822	15.44	23.16
Competent B	36,021	16.45	24.68
<b>Station Manager</b>			
Development	37,467	17.11	25.67
Competent A	38,591	17.62	26.43
Competent B	41,324	18.87	28.31
<b>Group Manager</b>			
Development	43,150	19.70	Not Applicable
Competent A	44,445	20.29	"
Competent B	47,835	21.84	"
<b>Area Manager</b>			
Development	50,658	23.13	Not applicable
Competent A	52,177	23.83	"
Competent B	55,568	25.37	"

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**FIREFIGHTING ROLES – PAY RATES FROM 1st JULY 2014  
(RETAINED DUTY SYSTEM)**

	(1) £ per annum	(2) £ per annum	(3) £ per Hour	(4) £ per occasion
<b>Firefighter</b>				
Trainee	2,180	1,090	9.95	3.82
Development	2,271	1,135	10.37	3.82
Competent	2,905	1,453	13.27	3.82
<b>Crew Manager</b>				
Development	3,088	1,544	14.10	3.82
Competent	3,221	1,611	14.71	3.82
<b>Watch Manager</b>				
Development	3,291	1,645	15.03	3.82
Competent A	3,382	1,691	15.44	3.82
Competent B	3,602	1,801	16.45	3.82
<b>Station Manager</b>				3.82
Development	3,747	1,873	17.11	3.82
Competent A	3,859	1,930	17.62	3.82
Competent B	4,132	2,066	18.87	3.82
<b>Group Manager</b>				3.82
Development	4,315	2,158	19.70	3.82
Competent A	4,445	2,222	20.29	3.82
Competent B	4,784	2,392	21.84	3.82
<b>Area Manager</b>				
Development	5,066	2,533	23.13	3.82
Competent A	5,218	2,609	23.83	3.82
Competent B	5,557	2,778	25.37	3.82

Column 1 shows the full annual retainer  
 Column 2 shows the retainer for employees on the day crewing duty system  
 Column 3 shows the hourly rate for work undertaken  
 Column 4 shows the disturbance payment per call-out

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**CONTROL SPECIFIC ROLES - PAY RATES FROM 1st JULY 2014**

	<b>Basic annual £</b>	<b>Basic hourly rate £</b>	<b>Overtime rate £</b>
<b>Firefighter (Control)</b>			
Trainee	20,709	9.46	14.19
Development	21,571	9.85	14.78
Competent	27,601	12.60	18.90
<b>Crew Manager (Control)</b>			
Development	29,336	13.40	20.10
Competent	30,600	13.97	20.96
<b>Watch Manager (Control)</b>			
Development	31,263	14.28	21.42
Competent A	32,131	14.67	22.01
Competent B	34,220	15.63	23.45
<b>Station Manager (Control)</b>			
Development	35,594	16.25	24.38
Competent A	36,661	16.74	25.11
Competent B	39,258	17.93	26.90
<b>Group Manager (Control)</b>			
Development	40,993	18.72	<b>Not applicable</b>
Competent A	42,223	19.28	"
Competent B	45,443	20.75	"

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### NON-OPERATIONAL STAFF - PAY RATES FROM 1st JULY 2014

	£ per annum
<b>Fire Control Operator equivalent</b>	
During first six months	18,565
After six months and during 2 <sup>nd</sup> year	19,387
During 3 <sup>rd</sup> year	20,309
During 4 <sup>th</sup> year	21,308
During 5 <sup>th</sup> year	23,207
<b>Leading Fire Control Operator equivalent</b>	24,852
<b>Senior Fire Control Operator equivalent</b>	
During 1 <sup>st</sup> year in rank	25,490
During 2 <sup>nd</sup> year in rank	26,456

### JUNIOR FIREFIGHTERS - PAY RATES FROM 1st JULY 2014

	£ per annum
Aged 16	10,084
Aged 17	10,836
Aged 18	21,799

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### ANNEXE B

Support Services Staff Pay Scales effective 1 September 2014					
REVISED PAY SCALES	MONEY VALUE	EXISTING SCALES	Spinal Column Point	Pay point descriptor	RESPONSIBILITY LEVELS
A (NMW)	£12,173	NMW	1	National Minimum Wage	6
B	£15,898	New	2	Developing	7
	£16,295	New	3	Competent	
C	£17,110	Scale 1	4	Developing	8
	£17,851	Scale 1	5	Competent	
	£18,625	Scale 1	6		
D	£18,922	New	7	Developing	9
	£19,395	New	8	Competent	
E	£20,210	Scale 2	9	Developing	10
	£20,581	Scale 2	10	Competent	
	£20,954	Scale 2	11		
F	£22,075	Scale 3	12	Developing	11
	£22,571	Scale 3	13	Competent	
	£23,067	Scale 3	14		
G	£24,210	Scale 4	15	Developing	12
	£24,559	Scale 4	16	Competent	
	£25,047	Scale 4	17		
H	£26,448	Scale 5	18	Developing	13
	£26,924	Scale 5	19	Competent	
	£27,560	Scale 5	20		
I	£30,131	Scale 6	21	Developing	14
	£30,953	Scale 6	22	Competent	
	£31,786	Scale 6	23		
J	£32,810	New	24	Developing	15
	£33,630	New	25	Competent	
K	£37,278	Scale 7	26	Developing	16
	£38,222	Scale 7	27	Competent	
	£39,314	Scale 7	28		
L	£40,515	New	29	Developing	17
	£41,528	New	30	Competent	
M	£43,946	Scale 8	31	Developing	18
	£45,155	Scale 8	32	Competent	

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	£46,357	Scale 8	33		
N	£53,895	Scale 9	34	Developing	19
	£55,238	Scale 9	35	Competent	
	£56,730	Scale 9	36		
O	£58,552	New	37	Developing	20
	£60,016	New	38	Competent	

**NB:** With effect from 1 September 2014 Support Services Staff pay scales have been reclassified to letters and five additional scales have been added. From 1 September 2014 existing staff will retain the existing three point scales, however new employees (as defined) will transfer to the two pay points system.

**Key:** Developing (blue) Competent (green) 3rd pay point for existing staff only (red)

### Fleet Management

	£27,931.00	£28,211.00	FM Point 10
	£28,570.00	£28,856.00	FM Point 11
	£29,204.00	£29,497.00	FM Point 12
	£29,833.00	£30,132.00	FM Point 13
	£30,646.00	£30,953.00	FM Point 14
	£31,471.00	£31,786.00	FM Point 15

### Fleet Management - Supervisors


	£26,185.00	£26,447.00	SU Point 7
	£26,661.00	£26,928.00	SU Point 8
	£27,292.00	£27,565.00	SU Point 9

### Fleet Management - Vehicle Technicians

	£23,329.00	£23,563.00	VT Point 1
	£23,828.00	£24,067.00	VT Point 2
	£24,320.00	£24,564.00	VT Point 3
	£24,800.00	£25,048.00	VT Point 4
	£25,260.00	£25,513.00	VT Point 5
	£25,718.00	£25,976.00	VT Point 6
	£12,000.00	£12,120.00	VT Point 7

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## ANNEXE C

### **EMPLOYEE BONUS PAYMENT SETTING SCHEME AND PROCESS**

#### **Introduction**

The purpose of this document is to set out in outline the principles and process for determining whether or not employees will receive bonus payments, and if so sets out the process to determine the allocation of such payments. Bonus payments will be one-off and paid only to reflect excellent performance; that is performance, which exceeds the standards and targets agreed with the employee during their annual appraisal process, and prior to the start of the financial year, for which any performance scheme is introduced.

#### **Eligibility**


Eligibility would be specified as part of any scheme rules, on an annual basis.

#### **Key Principles**

The following key principles underpin any bonus and/or performance related reward schemes:

- The Scheme is entirely discretionary and forms no part of the contract of employment
- The Scheme sits in the context of the Authority's overall strategic and performance management processes, therefore targets and objectives included in any scheme will align with the Corporate and Public Safety Plan objectives, via the "golden thread" process
- Payments will only be made where the employee's contribution not only reflects excellence but also clearly assists with achieving the Authority's strategic objectives
- It is intended to reward those who can demonstrate sustained, outstanding achievement or excellence in their role
- It is intended to recognise and reward, not only the exceeding of targets and standards, but also the acquisition of the necessary competencies and deployment of behaviours that reinforce the Authority's values and norms
- The amount of money available to be paid in bonus payments to employees under the scheme, will be determined as part of the annual budgeting process, and any scheme will be self-funding

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- All eligible candidates invited to participate in any scheme must have an agreed appraisal, including core and stretching objectives in advance of the bonus scheme year
- Recommendations for payments under the scheme will be made by the employees line manager, following the annual appraisal round, to the appropriate Director
- Recommendations will be reviewed by a Moderating Panel consisting of:
  - The Chief Operating Officer
  - The Director of People and Organisation Development
  - The Director of Finance and Assets
  - The Director of Legal and Governance

The Moderating Panel may choose to appoint an independent advisor, to assist with the process of ensuring that proposed awards are based on the exercise of consistent judgement, in both the setting of targets and standards and the assessment of achievement against these

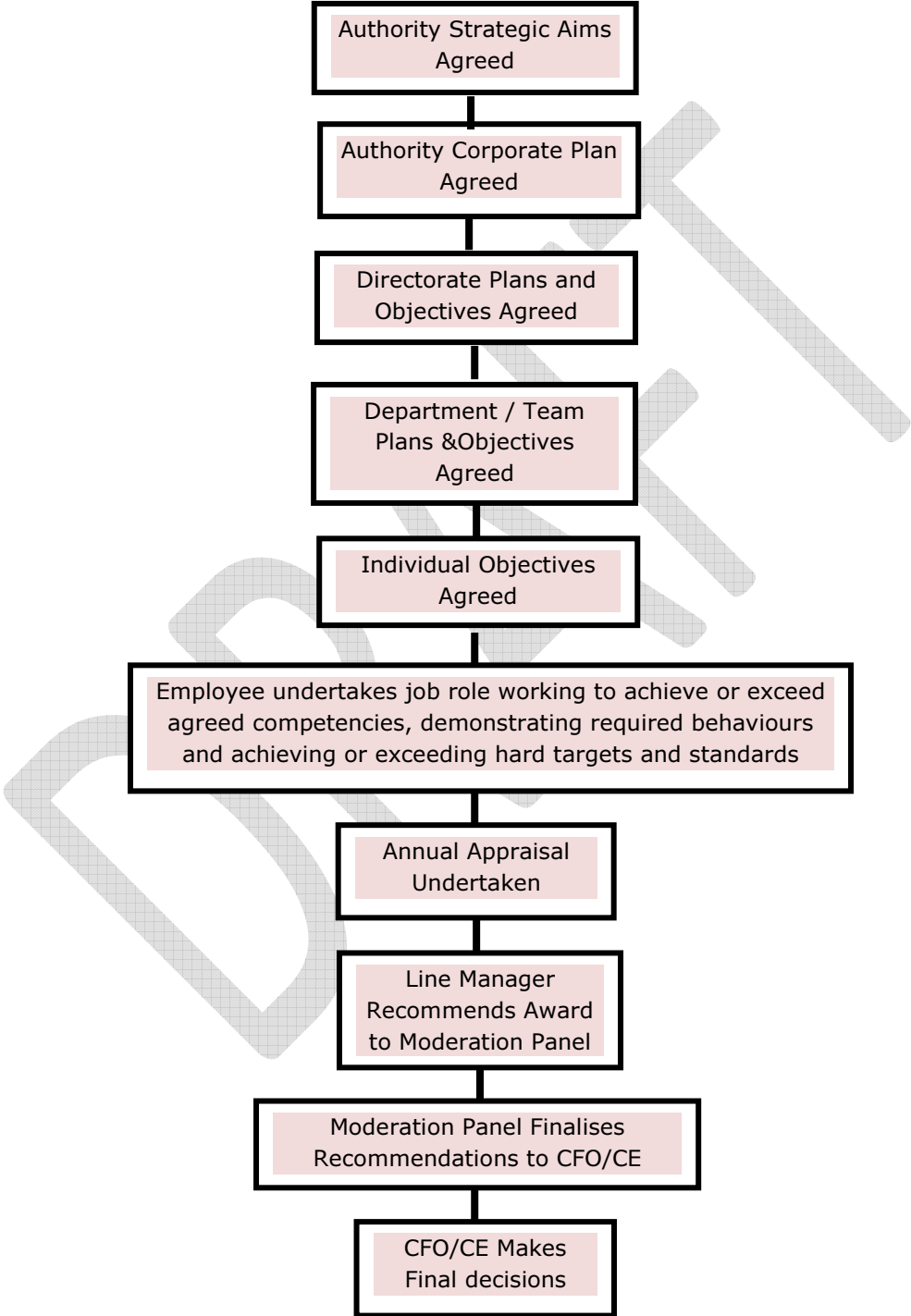
- Payments under the Scheme will be authorised by the Chief Fire Officer/Chief Executive on recommendation of the Moderation Panel
- Employees will only be informed of approved awards and not as to whether or not a recommendation was made
- There will be no appeal against recommendations or final decisions
- The Executive Committee ~~HR Sub Committee~~ will receive an annual report summarising the awards, if any, that have been made
- Eligibility criteria will be approved by SMB on an annual basis. This may include decisions not to run a bonus scheme or to extend to other workgroups
- Decisions will comply with the requirements of the Authority's pay policy, which is reviewed and approved annually
- If and when an annual bonus scheme is agreed, specific detailed rules will be developed in advance of the scheme year; for example, new staff who become eligible in year, long term absence etc.
- Any payments will be subject to statutory deductions.

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**BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY**  
**Bonus Setting Scheme Process Flow Chart**



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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Fire Authority
<b>DATE OF MEETING</b>	18 February 2015
<b>OFFICER</b>	Graham Britten, Director of Legal and Governance
<b>LEAD MEMBER</b>	Councillor Adrian Busby
<b>SUBJECT OF THE REPORT</b>	<b>Injury Awards: Final Report</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this report is to apprise the Authority of:</p> <ul style="list-style-type: none"> <li>i) the results of the investigation that was commissioned by the Monitoring Officer into the circumstances in which the Authority has been making compensation payments to former employees for "service related injury" from its Firefighters' Pension Fund, rather than from its operating account. The final report is attached (<b>Appendix 1</b>); and</li> <li>ii) correspondence (attached <b>Appendix 2</b>) received from the DCLG Parliamentary Under Secretary of State.</li> </ul> <p><i>The Authority will be asked to agree the following recommendations arising from the Final Report:</i></p> <p>Recommendation 1: Buckinghamshire and Milton Keynes Fire Authority (BMKFA) should review its arrangements for the administration of its pension fund. Specifically, BMKFA should consider:</p> <ul style="list-style-type: none"> <li>(a) whether to bring the function in-house; or</li> <li>(b) whether a new administrator of the firefighters' pension fund should be appointed.</li> </ul> <p>Recommendation 2: BMKFA should review its arrangements for external audit and financial assurance, including whether it is possible or desirable to change its current appointed auditor.</p> <p>Recommendation 3: BMKFA should review its processes for handovers between leavers and joiners. In particular, BMKFA should consider whether departing staff members should be required to set out (e.g. in a meeting and/or written briefing note) all the information that is relevant to the on-going and future tasks in that role. The requirement should apply at least to the senior managers at BMKFA.</p> <p>Recommendation 4: BMKFA should fully support</p>

	<p>efforts within the Fire Finance Network to encourage greater information sharing and cooperation on financial matters.</p> <p>Recommendation 5: BMKFA should develop a policy within human resources for dealing with injury awards under the 2006 Compensation Scheme to complement the policies addressing ill-health retirements.</p>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<p>It is recommended that:</p> <ul style="list-style-type: none"> <li>a) the contents of the Injury Awards: Final Report be noted;</li> <li>b) the correspondence from the DCLG to the Authority be noted;</li> <li>c) the recommendations of the investigator (set out in the Executive Summary above) be agreed;</li> <li>d) the Director of People and Organisational Development be instructed to undertake the review in line with Recommendation 1 of the Final Report in consultation with the Lead Member for Human Resources and Equality and Diversity; and</li> <li>e) the acting Chief Finance Officer be instructed to undertake the review in line with Recommendation 2 of the Final Report in consultation with the Chairman of the Overview and Audit Committee;</li> </ul>
<b>RISK MANAGEMENT</b>	No adverse effects on the ability of the Authority to discharge its functions.
<b>FINANCIAL IMPLICATIONS</b>	The actions arising from the recommendations can be undertaken within existing resources.
<b>LEGAL IMPLICATIONS</b>	The investigation was undertaken in order to assist the Monitoring Officer in the event that he may need to report to the Authority if it appears to him that a decision or omission by any employee has given rise to, or is likely to, or would give rise to a contravention by the Authority, or by any employee of any enactment or rule of law.
<b>HEALTH AND SAFETY</b>	None arising from the recommendations.
<b>EQUALITY AND DIVERSITY</b>	None arising from the recommendations.
<b>USE OF RESOURCES</b>	The actions arising from the recommendations can be undertaken within existing resources. The outcomes of the reviews will be reported back to a committee of

	the Authority.
<p><b>PROVENANCE &amp; BACKGROUND PAPERS</b></p>	<p>DCLG notified finance officers of the Authority in July of issues arising from the payments made from the Pension fund in July 2014. There was provision made in the accounts for 2013/14 for the treatment of injury awards charged to the pension fund since 1 April 2006 based on the probability of having to reimburse DCLG for the cumulative relevant expenditure. The accounts were approved as amended in line with a verbal update provided by the Chief Finance Officer at the Overview and Audit Committee meeting on 24 September 2014; however due to further amendments needing to be made they were re-submitted for approval to the Authority at its meeting on 22 October 2014.</p> <p>The Audit Director remains of the view that he cannot issue a completion certificate until he has an assurance that there is statutory authority enabling the Authority to make such a payment.</p> <p>A request for reimbursement has yet to be made by DCLG. However the DCLG’s position remains as stated in the letter from Penny Mordaunt MP. (<b>Appendix 2</b>).</p> <p>In the Audit Commission’s publication “Auditing the Accounts” published on 11 December 2014 (its final one before closure on 31 March 2015) the Audit Commission states that the statutory audit opinion was issued by 30 September 2014 at 352 of the 356 councils and 28 of the 31 fire and rescue authorities. The remaining fire and rescue authorities being (issue date in brackets): Cambridgeshire and Peterborough Fire Authority (10 October 2014); Buckinghamshire and Milton Keynes Fire Authority (22 October 2014); and Hampshire Fire and Rescue Authority (31 October 2014). The reason cited being “Technical Accounting Issue” for all three.</p> <p>The Monitoring Officer was requested by the Chief Fire Officer/Chief Executive to undertake an investigation, who in turn commissioned Tom Ogg. The Terms of Reference (Appendix 4 to Agenda Item 11 of the December Authority meeting) required Counsel to provide:</p> <ul style="list-style-type: none"> <li>• A clear account of how these events transpired.</li> <li>• An account of what happened in other combined fire and rescue authorities and other fire and rescue authorities.</li> <li>• Details of the scale and depth of the financial problem and an informed account of what the Authority’s liabilities and future costs might be.</li> <li>• An analysis of the opportunities to uncover this issue that might have been missed and whether</li> </ul>

	<p>due to managerial actions, controls, practices and/or processes and the role and adequacy of internal and external audit.</p> <ul style="list-style-type: none"> <li>• Other relevant issues relating to the on-going service related injury payments.</li> </ul> <p>The Authority received an Interim Report at its meeting on 17 December 2014, which addressed the second and third bullet points above.</p> <p>Minutes of the meeting of the Overview and Audit Committee 24 September 2014</p> <p><a href="http://bucksfire.gov.uk/files/7914/1682/6936/ADocPackPublic.version0001.pdf">http://bucksfire.gov.uk/files/7914/1682/6936/ADocPackPublic.version0001.pdf</a></p> <p>Minutes of the meeting of the Authority 22 October 2014</p> <p><a href="http://bucksfire.gov.uk/files/2714/1803/3063/ITEM_2_22-10-14_DRAFT_MINUTES_v2kn.pdf">http://bucksfire.gov.uk/files/2714/1803/3063/ITEM_2_22-10-14_DRAFT_MINUTES_v2kn.pdf</a></p> <p><i>Auditing the Accounts 2013/14: Local Government Bodies</i>, Audit Commission 11 December 2014</p> <p><a href="http://www.audit-commission.gov.uk/wp-content/uploads/2014/12/20141204-Auditing-the-Accounts-2013-14-LG-FINAL-FOR-WEB.pdf">http://www.audit-commission.gov.uk/wp-content/uploads/2014/12/20141204-Auditing-the-Accounts-2013-14-LG-FINAL-FOR-WEB.pdf</a></p> <p>Agenda Item 11, Meeting of the Authority 17 December 2014 : Injury Awards Interim Report</p> <p><a href="http://bucksfire.gov.uk/files/2614/1803/6277/ITEM_1_1_Injury_Awards_Interim_Report_inc_Appendices_12_34.pdf">http://bucksfire.gov.uk/files/2614/1803/6277/ITEM_1_1_Injury_Awards_Interim_Report_inc_Appendices_12_34.pdf</a></p>
<p><b>APPENDICES</b></p>	<p><i>Not for publication by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972, as Appendix 1 contains information relating to an individual; and Paragraph 2 of Part 1 of Schedule 12A of the Local Government Act 1972, as Appendix 1 contains information which is likely to reveal the identity of an individual; and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as Appendix 1 contains information relating to the financial or business affairs of any particular person (including the authority holding that information); and Paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972 as Appendix 1 contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings, and on those grounds it is considered the need to keep information exempt outweighs the public interest in disclosing the information:</i></p> <p>Appendix 1 Injury Awards: Final Report.</p> <p>Appendix 2 Letter from Parliamentary Under Secretary of State DCLG to COO (as was) Jason Thelwell in response to his letter dated 18 November 2014.</p>



<b>TIME REQUIRED</b>	15 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Graham Britten <a href="mailto:gbritten@bucksfire.gov.uk">gbritten@bucksfire.gov.uk</a> 01296 744441



**Department for  
Communities and  
Local Government**

Jason Thelwell  
Chief Operating Officer  
Buckinghamshire Fire & Rescue Service  
Brigade Headquarters  
Stocklake  
Aylesbury  
Bucks  
HP20 1BD

**Penny Mordaunt MP**  
*Parliamentary Under Secretary of State*

**Department for Communities and Local  
Government**  
4<sup>th</sup> Floor, Fry Building  
2 Marsham Street  
London SWP 4DF

Tel: 0303 444 3459  
Fax: 020 7821 0635  
E-Mail: penny.mordaunt@communities.gsi.gov.uk

[www.gov.uk/dclg](http://www.gov.uk/dclg)

Our Ref: 625413

27 JAN 2015

Dear Jason,

Thank you for your letter of 18 November regarding injury payments that Buckinghamshire Fire & Rescue Service has incorrectly claimed through the firefighters' pension top-up grant. I apologise for the delay in replying.

Since the Department first became aware that some fire and rescue authorities had made unauthorised grant claims, further authorities have subsequently declared that they have similar outstanding liabilities to the Department. I have therefore wanted to be satisfied that we understand the full extent of the unauthorised grant claims before final decisions are taken.

We have now received final notifications from affected fire and rescue authorities about their total liabilities. I will now consider the implications for the Department and for fire and rescue authorities of options for resolving this situation and will notify authorities of my decision in due course.

You also ask for the legal basis for the recovery of payments. The fire and rescue authorities concerned made claims for and received money to which they were not entitled. It is reasonable to recover public funds that were not used for the purpose that Parliament had intended.

Yours,  
Penny

**PENNY MORDAUNT MP**