



Chief Fire Officer and Chief Executive

Mark Jones

To: The Members of the Executive Committee

27 January 2014

Dear Councillor

Your attendance is requested at a meeting of the **EXECUTIVE COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY** to be held in Meeting Room 1, Fire and Rescue Headquarters, Stocklake, Aylesbury on **WEDNESDAY 5 FEBRUARY 2014 at 10.00 am** when the business set out overleaf will be transacted.

Yours faithfully

A handwritten signature in black ink that reads "Graham Britten".

Graham Britten
Director of Legal and Governance

Chairman: Councillor Busby

Councillors: Dransfield, Edwards, Gomm, Lambert, Morris, Reed and Schofield



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EXECUTIVE COMMITTEE

TERMS OF REFERENCE

1. To make all decisions on behalf of the Authority, except in so far as reserved to the full Authority by law or by these Terms of Reference.
2. To assess performance of the Authority against agreed organisational targets.
3. To determine matters relating to pay and remuneration where required by collective agreements or legislation.
4. To select on behalf of the Authority—the Chief Fire Officer and Chief Executive, and deputy to the Chief Fire Officer and Chief Executive, or equivalent , taking advice from suitable advisers and to make recommendations to the Authority as to the terms of appointment or dismissal.
5. To consider and make decisions on behalf of the Authority in respect of the appointment of a statutory finance officer ; a statutory monitoring officer; and any post to be contracted to "Gold Book" terms and conditions in whole or in part taking advice from the Chief Fire Officer and suitable advisers.
6. To act as the Employers' Side of a negotiating and consultation forum for all matters relating to the employment contracts of the Chief Fire Officer and Chief Executive, deputy to the Chief Fire Officer and Chief Executive, or equivalent; and where relevant, employees contracted to "Gold Book" terms and conditions in whole or in part.
7. To hear appeals if required to do so in accordance with the Authority's Policies.
8. To determine any human resources issues arising from the Authority's budget process and improvement programme.
9. To determine policies, codes or guidance:
 - (a) after considering recommendations from the Overview and Audit Committee in respect of:
 - (i) regulating working relationships between members and co-opted members of the Authority and the employees of the Authority; and
 - (ii) governing the conduct of employees of the Authority
 - (b) relating to grievance, disciplinary, conduct, capability, dismissals and appeals relating to employees contracted to "Gold Book" terms and conditions in whole or in part.
10. To form a Human Resources Sub-Committee as it deems appropriate.

AGENDA

Item No:

1. Apologies

2. Minutes

To approve, and the Chairman to sign as a correct record, the Minutes of the meeting of the Executive Committee held on 20 November 2013 Item 2 (**Pages 5 - 10**)

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. Questions

To receive questions in accordance with Standing Order S0A7.

5. Treasury Management Performance 2013/14 - Quarter 3

To consider Item 5 (**Pages 11 - 16**)

6. Budget Monitoring Performance and Debt Management April - December 2013 (Q3)

To consider Item 6 (**Pages 17 - 34**)

7. Local Government Pension Scheme - Restructuring of Liability

To consider Item 7 (**Pages 35 - 38**)

8. Treasury Management

To consider Item 8 (**Pages 39 - 52**)

9. The Prudential Code, Prudential Indicators and Minimum Revenue Provision

To consider Item 9 (**Pages 53 - 60**)

10. Medium Term Financial Plan (MTFP) 2014/15 - 2017/18

To consider Item 10 (**Pages 61 - 70**)

11. BMKFA Pay Policy Principles and Statement 2014 15

To consider Item 11 (**Pages 71 - 94**)

12. Exclusion of Public and Press

To consider excluding the public and press representatives from the meeting by

virtue of Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 as appendix 5 of the report contains information relating to the financial or business affairs of an individual; and Paragraph 4 of Part 1 of Schedule 12A of the Local Government Act 1972 as appendix 5 of the report also contains information relating to actual, or contemplated, consultations or negotiations in connection with labour relations and on all these 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:

Appendix 5 of the Remuneration and Performance Review

13. Remuneration and Performance Review

To consider Item 13 (**Pages 95 - 114**)

14. Date of Next Meeting

To note that the next meeting of the Committee will be held on Wednesday 19 March 2014 at 10.00am.

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

Minutes of the meeting of the EXECUTIVE COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 20 NOVEMBER 2013 at 10.00 am

Present: Councillors Busby, Dransfield, Edwards, Lambert, Morris, Reed and Schofield

Officers: M Jones (Chief Fire Officer), G Britten (Director of Legal and Governance), D Skinner (Director of Finance and Assets), L Swift (Director of People and Organisational Development), D O'Driscoll (Head of Service Development), M Osborne (Head of Service Delivery), M House (External HR Consultant – for Minutes EX24 and EX25), F Mansfield (Human Resources Operations Manager – for Minutes EX24 and EX25), D Elliott (Performance and Evaluation and Projects), F Pearson (Group Manager Communications) and K Nellist (Democratic Services Officer)

Apologies: Councillor Gomm

EX22 MINUTES

RESOLVED –

That the Minutes of the meeting of the Executive Committee held on 18 September 2013, be approved and signed by the Chairman as a correct record.

EX23 MEMBERS' ALLOWANCES

The Committee considered the Members' Scheme of Allowances for 2014/15.

The Committee noted that the Authority had agreed, at its meeting on 14 December 2011, that the index linking for the period 2012/13 to 2014/15 should be the pay award for the Authority's staff on National Joint Council for Local Authorities' Fire and Rescue Services, Scheme of Conditions of Service (Grey Book). The pay award for the Authority's staff on Grey Book conditions for 2013/14 was 1%.

RESOLVED –

That the Authority be recommended to adopt the scheme for Members' Allowances for 2014/15.

EX24 REVIEW OF SUPPORT STAFF (LOCAL 'GREEN BOOK') TERMS AND CONDITIONS OF SERVICE AND PAY, GRADING AND REWARD STRUCTURE

The Committee considered the report which sets out the proposed timeline to determine and implement the terms and conditions of service review for support staff on Buckinghamshire & Milton Keynes Fire Authority Scheme of Conditions of Service, commonly referred to as the local 'Green Book'.

RESOLVED –

1. That the proposed support staff (local 'Green Book') terms and conditions of service and pay, grading and reward principles, be approved.
2. That the timetable for implementing the review of support staff (local 'Green Book') terms and conditions of service and pay and reward structure be noted.

Director of People and Organisational Development joined the meeting.

EX25

REVIEW OF THE PEOPLE AND ORGANISATIONAL DEVELOPMENT DIRECTORATE – THE POTENTIAL NEED FOR REDUNDANCIES

The Director of People and Organisational Development highlighted to the Committee the potential small number of redundancies that may need to be made in light of the review of the Directorate's staffing requirements.

In line with the requirements of the Redundancy and Managing Organisation Change Policies and Procedures reasonable steps will be taken to minimise the adverse effects of potential redundancies.

RESOLVED –

1. That the potential need for redundancies in the People and Organisational Development Directorate (POD) be noted.
2. That approval be given for the Chief Fire Officer/Chief Executive to initiate consultation with the affected staff.

EX26

BUDGET MONITORING PERFORMANCE AND DEBT MANAGEMENT APRIL – SEPTEMBER 2013 (Q2)

The Committee considered the Revenue and Capital Budget Monitoring and Debt Management Performance for the three months to 30 September 2013.

The Director of Finance and Assets asked the Committee to note that there was a forecast managed under-spend of £1,326k, against a revenue budget of £29m.

A report on the cost of the recent industrial action would be taken to the next Fire Authority meeting.

RESOLVED –

1. That the revenue and capital budget virements as detailed at the end of section 9 of the report be authorised.
2. That the latest projected outturn forecast for the Fire Authority as at 30 September 2013 be noted.

EX27**TREASURY MANAGEMENT PERFORMANCE 2013/14 – QUARTER 2**

The Committee noted that since the 1 April 2013 the Authority has been investing in its own name. The report highlights the performance of the in-house treasury management function for the second quarter 2013/14.

The Committee noted that the accrued interest earned for the first six months of the year is £60k, which is £30k higher than the budget for the same period.

RESOLVED –

That the Treasury Management Performance 2013/14 – Quarter 2 report be noted.

EX28**MEDIUM TERM FINANCIAL PLAN (MTFP) 2014/15 – 2017/18**

The Committee were advised by the Director of Finance and Assets that certain assumptions had been made with regard to funding reductions, natural growth in business rates and an increase in pay and national insurance for future years.

The Committee noted that since the report opportunities to reduce the employers contributions into the Local Government Pension Scheme had been highlighted and BMKFA could save around £200k. The committee also noted that in future the retirement profile would need to be more proactively managed.

The Committee were advised that all savings bids were agreed without much challenge. Further work is still to be done on the growth bids.

The Director of Finance and Assets advised that the final CSR announcement would be made in early January although final dates are not yet known.

The Committee considered the draft revenue budget and three different council tax options for 2014/15 to 2017/18.:

RESOLVED –

1. That the savings and growth bids be noted.
2. That the draft capital budget for 2014/15 to 2017/18 be noted.
3. That the updated grey book retirement profile be noted.

It being proposed by Cllr Dransfield and seconded by Cllr Morris it was

RESOLVED -

4. That that three council tax options to be considered at the next Fire Authority meeting would be:

(i) Council tax freeze;

- (ii) 2% Council tax increase;
- (iii) 1% Council tax decrease.

EX29

REVIEW OF CATERING PROVISIONS DURING EMERGENCY INCIDENTS

The Committee noted that the purpose of this report was to inform them of the proposed changes to arrangements for feeding at fires policy and to seek approval for the Chief Fire Officer to commence formal redundancy consultation with affected staff.

The Head of Service Development advised that the current expenditure was £29,864 per annum of which £26,454 (over a three year average) was staff costs. Some of the initial savings would be used to supplement appliances with the correct equipment and provisions for feeding at incidents.

All new appliances would be fitted with water heaters and refreshment packs. All appliances not fitted with water heaters would be stocked with self-heating food packs and dry provisions to provide light refreshments.

A high street supermarket chain would be used for the purchase of local refreshments and Flexi-Duty Officers would carry procurement cards to use when local suppliers are unavailable.

A Memorandum of Understanding would be drawn up between BFRS and other services with a large catering provision for feeding at protracted incidents of 8-10 pumps or more.

Adoption of the preferred recommendation would be at no additional cost and would be considered as an on-going saving of approximately £25k per annum in year 3.

RESOLVED –

1. That the progress taken to date be noted.
2. That approval be given for the Chief Fire Officer/Chief Executive to initiate consultation with the affected staff.

EX30

UPDATE ON THE PILOT SCHEME FOR STAFF BANK SYSTEM INVOLVING OPERATIONAL FIREFIGHTERS AND SUPERVISORY OFFICERS

The Head of Service Delivery updated the Committee on the successful pilot scheme to maintain appliance availability in the event of shortfalls in crewing that had been running since September 2012.

The availability of a 'bank' of staff that have the relevant skills and qualifications, whilst being remunerated at a 'flat rate' replaces the requirement on occasion to use 'pre-arranged

overtime' as provided for in the national NJC terms and conditions of employment at a remuneration rate of 'time and a half'.

This had created a unique and flexible system with different crewing solutions being developed in line with the on-going IRMP process.

RESOLVED –

That the outcomes of the pilot scheme and that full implementation is underway be noted.

EX31

DATE OF NEXT MEETING

The Committee noted that the date of the next Executive Committee would be held on Wednesday 5 February 2014 at 10.00am.

THE CHAIRMAN CLOSED THE MEETING AT 11.30 AM

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Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	David Skinner, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Treasury Management Performance 2013/14 – Quarter 3
EXECUTIVE SUMMARY	<p>This report is being presented as Members resolved at the meeting of Buckinghamshire and Milton Keynes Fire Authority on 13 February 2013 that a quarterly Treasury Management report would be submitted to the Executive Committee and it is best practice to review on a regular basis how Treasury Management activity is performing.</p> <p>The accrued interest earned for the first nine months of the year is £90k, which is £37.5k higher than the budget for the same period and £40k higher than the interest that would have been earned under the previous Service Level Agreement (SLA).</p>
ACTION	Information.
RECOMMENDATIONS	That the Treasury Management Performance 2013/14 – Quarter 3 report be noted.
RISK MANAGEMENT	<p>Making investments in the Authority's own name means that the Authority bears the risk of any counterparty failure. This risk is 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</p> <p>There are no direct staffing implications.</p>
FINANCIAL IMPLICATIONS	The budget for 2013/14 relating to interest earned on balances invested is £70k. Performance against the budget is included within Appendix A.

LEGAL IMPLICATIONS	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.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	See Financial Implications.
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy http://www.bucksfire.gov.uk/NR/rdonlyres/99BE21DF-99EB-42E2-A9C7-8846A6E3F112/0/BMKFA13022013.pdf (Pages 31 – 42)</p> <p>Treasury Management Practices http://www.bucksfire.gov.uk/NR/rdonlyres/FDA454EA-1735-4569-BE96-C1E3D0079A75/0/ITEM6TreasuryManagementPractice sandASep13andAnnexA.pdf</p>
APPENDICES	Appendix A – Treasury Management Performance 2013/14 – Quarter 3.
TIME REQUIRED	5 minutes.
REPORT ORIGINATOR AND CONTACT	<p>Mark Hemming mhemming@bucksfire.gov.uk 01296 744687</p>

Appendix A – Treasury Management Performance 2013/14 – Quarter 3

Background

Up until 31 March 2013, the Authority's cash balances were managed by Buckinghamshire County Council (BCC) under a Service Level Agreement (SLA). For 2013/14 onwards, the Authority is now investing in its own name. This report highlights the performance of the in-house treasury management function for the first three quarters of 2013/14.

Security of Investments

The primary investment priority as set out in the Treasury Management Policy Statement is the security of capital. The Authority applies the creditworthiness service provided by Capita (formerly known as Sector). This determines whether or not a counterparty is suitable to invest with and if so, the maximum duration an investment could be placed with them. In the Annual Investment Strategy, the Authority also resolved that the balances invested with any single counterparty at any point in time would be 30% of the total investment portfolio to a maximum of £5m. The amount invested with each counterparty on the approved lending list as at 31 December 2013 is detailed below:

Counterparty	Amount (£000)
Barclays Bank plc	5,000
Lloyds TSB Bank plc	5,000
National Westminster Bank plc	3,663
Public Sector Deposit Fund (CCLA) – MMF*	3,075
Total	16,738

*MMF denotes a Money Market Fund

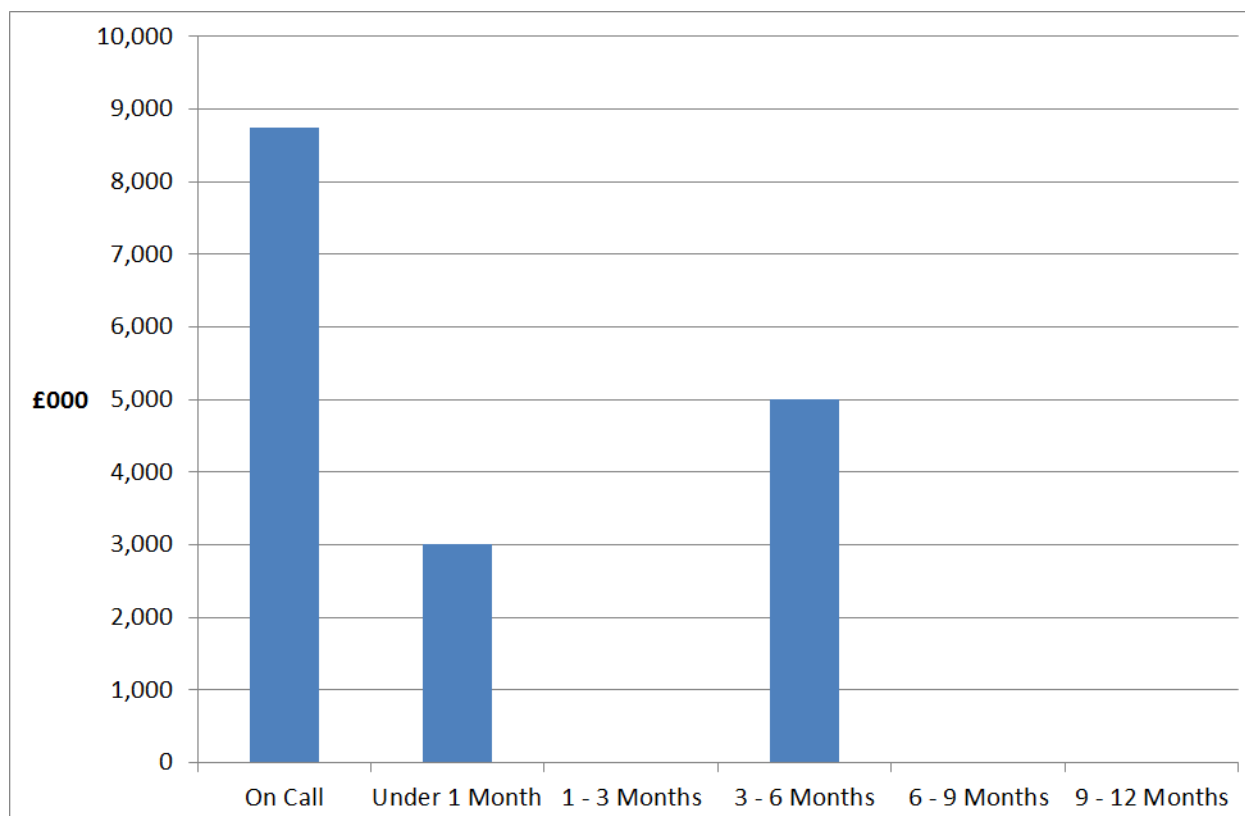
No counterparty limits were breached during the first nine months of 2013/14. No counterparties on the list were downgraded by Capita during the three quarters.

The above investments include an amount of £3.075m invested in a money market fund (MMF). A MMF employs credit analysts who first assess who is a suitable counterparty and then continue to monitor those counterparties over time. By investing with a range of counterparties risk is able to be diversified to a greater extent than investing directly in single counterparties.

Liquidity

Investments

The second objective set out within the Treasury Management Policy Statement is the liquidity of investments (i.e. keeping the money readily available for expenditure when needed). Investments have been placed at a range of maturities, including having money on-call in order to maintain adequate liquidity. The current investment allocation by remaining duration can be seen on the chart below:



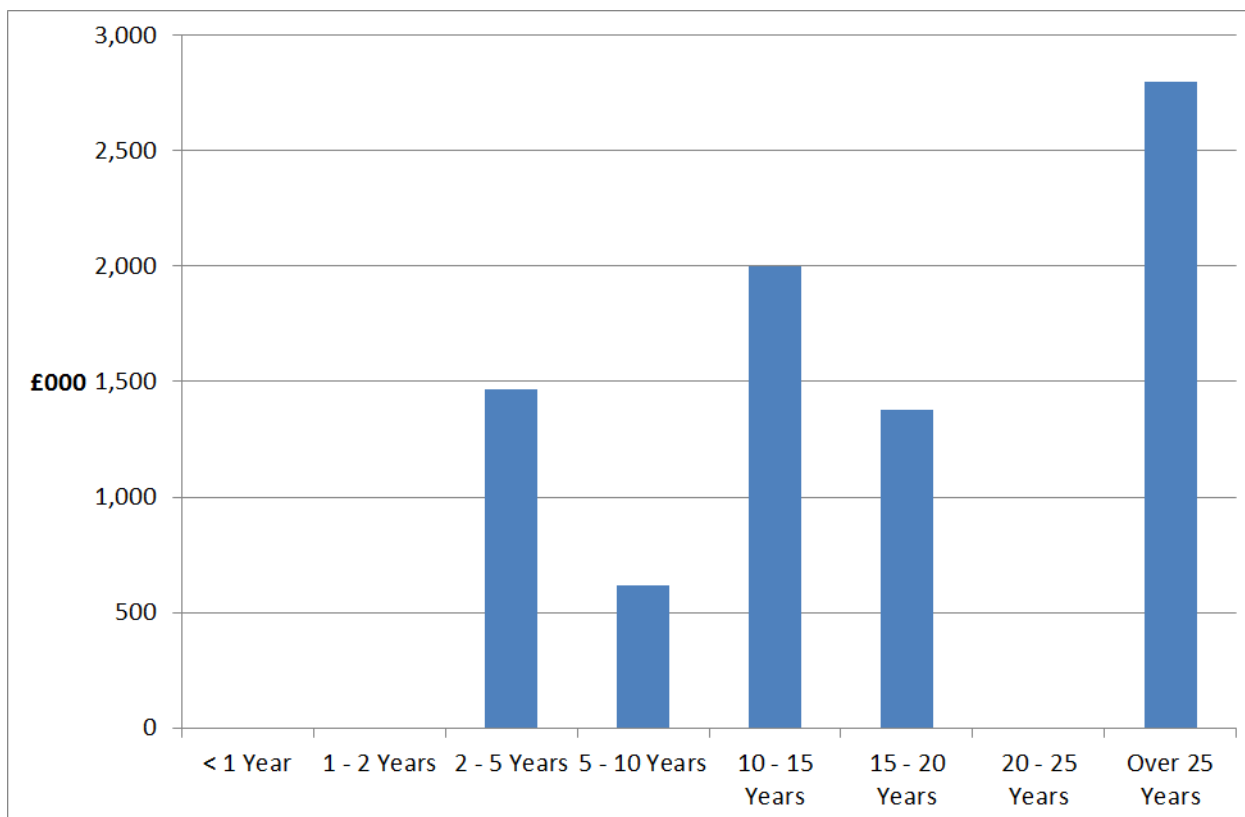
By reviewing the Balance Sheet position, level of reserves and cash requirements, the Authority determined that it was able to invest £5m for one year (which now has a remaining duration of three months). In order to cover unforeseen circumstances and potential major incidents that could occur, a large proportion of the investment balances are held on call (i.e. it is available for use on the day it is required).

The investments under one month in duration consists of a single investment of £3m that was originally made for three months. This will mature in early January and will be reinvested for a further three months. It is anticipated that the £5m originally invested for one year, will be reinvested for a further year when it matures at the beginning of April, although this will depend on rates available at the time and will be kept under review as part of the overall strategy.

Balances on call include the investment in the MMF. A MMF helps improve the liquidity of the Authority's balances. By investing collectively, the Authority benefits from liquidity contributed by others and from the knowledge they are all unlikely to need to call on that money at the same time.

Borrowing

As part of managing the liquidity of investments, it is important to have regard to the maturity structure of outstanding borrowing. This can be seen in the following chart:



The earliest date for repayment of borrowing is March 2016, when £0.515m is due to be repaid. A further £0.368m is also due to be repaid in May 2016. These repayments do not directly affect the revenue budget, as they simply reflect the use of cash (accumulated by setting aside the appropriate minimum revenue provision (MRP) year on year) to settle the outstanding liability.

The MRP does have a direct impact on the revenue account and therefore the General Fund. If the Authority repays borrowing and does not take out additional borrowing, the annual MRP charge will gradually reduce over time.

Investment Yield

Having determined proper levels of security and liquidity, it is reasonable to consider the level of yield that could be obtained that is consistent with those priorities.

Performance Against Budget – Quarters 1 – 3

The budget for interest on investment balances for 2013/14 is £70k. This therefore means that the budget for the first three quarters is £52.5k.

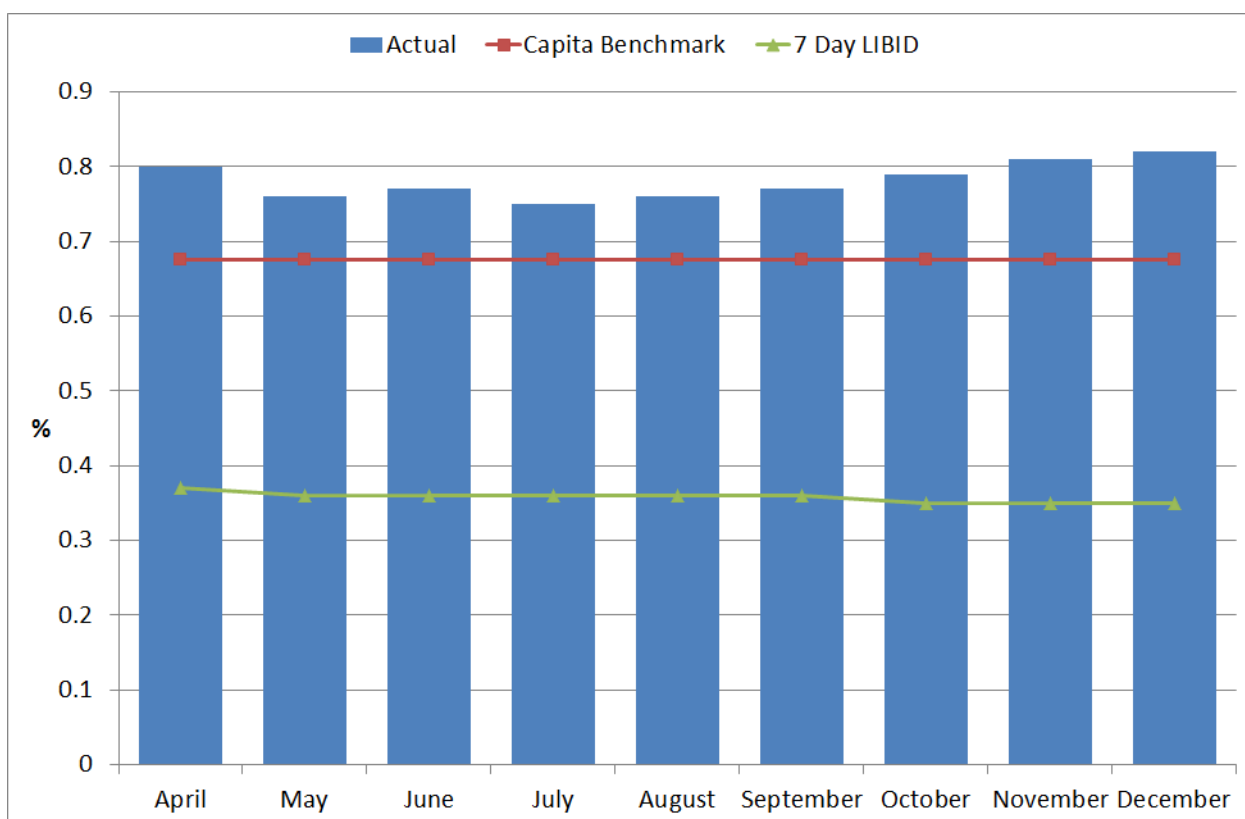
The accrued interest earned as at 31 December 2013 was £90k, which is an over achievement of £37.5k for the first three quarters of the year.

Performance Against the Benchmark – Quarters 1 – 3

The relative performance of the investments is measured against two benchmark figures:

- 7 day LIBID – this is the rate the Authority would have earned on all balances had the SLA with BCC continued into 2013/14
- Capita benchmark – this is the indicative rate that Capita advised we should be looking to achieve for 2013/14 at the start of the year

The weighted average rate (%) is compared to the two benchmark figures in the following table for each month:



The Authority has out-performed both benchmark figures in each and every month. The main reason for the over performance was that the determined liquidity structure allowed the Authority to commit a significant proportion of the portfolio for a duration of one year at a favourable rate.

The average rate of return has increased slightly during the third quarter. This is due to the overall cash balances reducing during the quarter (mainly due to the irregular scheduled payments of the Revenue Support Grant). Although higher cash balances provide greater total returns, the percentage return will decrease as cash balances increase (and vice-versa). This is because in order to diversify the investment portfolio and remain within approved counterparty limits, investments will need to be made with counterparties offering a lower rate of return than could have been achieved with counterparties where the approved limit had been already been reached.

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	David Skinner, Director of Finance and Assets & Treasurer
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Budget Monitoring Performance and Debt Management April –December 2013 (Q3)
EXECUTIVE SUMMARY	<p>To present to the Executive Committee the revenue and capital budget monitoring and debt management performance report for the nine months to 31 December 2013.</p> <p>The report at Appendix A sets out the Authority's revenue and capital spending position as at 31 December 2013, together with the projected outturn position for the financial year.</p> <p>Managers have positively and proactively controlled spend and forecast an under-spend of £1.3m, against a revenue budget of £29m.</p> <p>It is proposed that the underspend is used as follows;</p> <ul style="list-style-type: none"> (a) £900k transfer to the control room reserve to cover the estimated additional costs of control in 2014/15 as a result of the delays to the control room project, (b) £260k revenue contribution to capital to support the ICT strategy, (c) The residual balance of the under-spend will be transferred to the redundancy and early retirement reserve when the final outturn figure is confirmed at the end of the year.
ACTION	Information and decision.

RECOMMENDATIONS	<p>That the latest projected outturn forecast for the Fire Authority as at 31 December 2013 be noted.</p> <p>That the capital budget virement as detailed at the end of section 9 of the report be authorised.</p> <p>That the proposed use of underspend as outlined in the executive summary (items a-c) be approved.</p>
RISK MANAGEMENT	<p>Management of our Financial resources is a key risk to the Authority.</p> <p>The current projection of a £252k underspend in service development is dependent on an underspend in the control room which is currently five posts under establishment. Arrangements are in place to ensure resilience in this area.</p>
FINANCIAL IMPLICATIONS	All information is set out within the main body of the report.
LEGAL IMPLICATIONS	No impact.
HEALTH AND SAFETY	No impact.
EQUALITY AND DIVERSITY	No impact.
USE OF RESOURCES	The paper sets out how work has been progressing for achieving greater financial ownership and accountability for resources attached to the delivery of specific aims and objectives of the Authority.
PROVENANCE SECTION & BACKGROUND PAPERS	<p>MTFP 2013/14 - 2016/17</p> <p>Budget monitoring performance and debt management April – September 2013 (Q2)</p>
APPENDICES	Appendix A – Budget Monitoring Performance and Debt Management April –December 2013 (Q3).
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	<p>Graham Young</p> <p>gyoung@bucksfire.gov.uk</p> <p>01296 744429</p>

Appendix A

1. Revenue Forecasts by Service Area

Table 1 The budget of £29m is compared to the forecast outturn to give a forecast year end under-spend of £1.3m. If you take out the Statutory Accounting & Contingency items totaling £657k, we are forecasting a £645k overall underspend.

Directorate	Area Manager	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance	Variance %
Corporate Core	Corporate Core	928,308	821,385	933,588	5,280	0.57%
	Legal & Governance	108,978	79,592	103,430	-5,548	-5.09%
Corporate Core Total		1,037,286	900,978	1,037,018	-268	-0.03%
Finance & Assets	Finance Team	639,250	312,458	621,772	-17,478	-2.73%
	Resource Management	2,768,169	2,273,595	2,728,815	-39,353	-1.42%
	Knowledge & Information Services	1,371,766	1,020,564	1,380,835	9,069	0.66%
Finance & Assets Total		4,779,185	3,606,617	4,731,422	-47,762	-1.00%
People & Organisation Development	Training & Development	1,522,666	1,025,896	1,414,746	-107,920	-7.09%
	Operations & Services	687,787	576,149	796,353	108,566	15.78%
People & Organisation Development Total		2,210,453	1,602,045	2,211,099	646	0.03%
Delivery, Corporate Development & Planning	Service Delivery	15,112,497	10,950,111	14,734,219	-378,278	-2.50%
	Communication, Consultation & Admin	428,571	340,689	461,397	32,826	7.66%
	Service Development	2,442,353	1,737,794	2,190,308	-252,045	-10.32%
Delivery, Corporate Development & Planning Total		17,983,421	13,028,594	17,385,924	-597,497	-3.32%
Statutory Accounting & Contingency	Capital Charges	720,000	189,825	720,000	0	0.00%
	Direct Revenue Financing	1,422,000	1,422,000	1,422,000	0	0.00%
	Contingency	739,342	0	80,250	-659,092	-89.15%
	Non Distributed Costs	15,963	6,462	15,963	0	0.00%
	Industrial Action	80,000	82,252	82,252	2,252	2.81%
Statutory Accounting & Contingency Total		2,977,305	1,700,538	2,320,465	-656,840	-22.06%
Grand Total		28,987,650	20,838,772	27,685,928	-1,301,722	-4.49%

The key variations are;

Corporate Core – The overspend due the full effect of the savings from the SMT restructure not being felt until next financial year has been covered by the provision that was made in 2013/14.

Finance & Assets £48k under - The finance team is projecting an underspend of £17k mainly due to a VAT reimbursement from HMRC relating to overpayments in previous years. The underspend in resource management is due two vacant procurement officer positions, a vacant post in workshops which will not be filled, an underspend in cleaner costs and savings made in the contract for insurance. These underspends are partly offset by the £74k planned rental savings not being realised this financial year. The knowledge & information services team is forecasting an overspend in staffing due to payments to agency staff covering vacant posts following the recent restructure. The overspend is offset by an underspend projected in ICT communications due to the delayed implementation of the APN project and smaller underspends in other headings.

People & Organisation Development – There is an underspend in the training unit relating to a vacant supervisor post though this is offset by a shortfall in course fee income, additional responsibility payments and increased hours for a part-time member of staff. There is a £27k underspend in operational training due to vacancies in this area, a £31k underspend on staffing in the driving school due to one instructor post operating under an SLA with Oxfordshire at a lower cost than budgeted and a £59k projected underspend on staff development and training. The overspend in operations and services is due to additional costs relating to the ongoing HR administration review.

Delivery, Corporate Development & Planning £597k under – Service delivery is projecting a £378k underspend despite currently being one firefighter over budgeted establishment. The overspend due to this over establishment is offset by the following underspends; £104k underspend in USAR allowances, training and equipment budgets following the amalgamation with Aylesbury; a projected underspend of £140k in RDS; an underspend of £93k due to staff not opting in to the pension scheme; and a £106k underspend in admin staff the majority of which is in fire safety prevention and protection.

The service delivery budget has been reduced by £462k to reflect a reduction in twelve firefighters. Currently service delivery is one firefighter over establishment and we anticipate that by year end these savings will be achieved.

The majority of the £252k underspend in service development relates to the control room which is currently five posts under establishment. Arrangements have been made to ensure resilience in this area by setting specific rotas in advance. Existing control room staff can swap rota days and overtime arrangements are in place to ensure cover. The business continuity plan has included contingency cover for control staff who have already been redeployed to other posts within the service, they are required to maintain their control room competencies through regular training and testing. There are currently five members of staff available for emergency cover under this arrangement.

Statutory Accounting & Contingency £689k under - The contingency fund was originally set up in the budget to cover the costs of modernisation under the Moving Forward agenda and any pay award and pay protection arrangements. Contingency funds have been required this year to cover any costs incurred relating to the recent period of Industrial Action and any planned future action.

2. Revenue Forecasts by subjective heading

Table 2 shows the budget and forecast out-turn for each subjective heading as at the end of December 2013.

Subjective	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
Employees - Direct	22,341,808	16,041,995	21,660,614	-681,194
Employees - Indirect	904,747	440,955	919,584	14,837
Premises	1,842,505	1,565,497	1,908,356	65,851
Transport	849,223	702,377	892,631	43,408
Supplies and Services	2,185,382	1,185,419	2,100,391	-84,991
Contingency & Provisions	739,342	-926	80,250	-659,092
3rd Party Payments	315,533	-26,781	306,053	-9,480
Capital Charges	720,000	209,775	720,000	0
Direct Revenue Financing	1,422,000	1,422,000	1,422,000	0
Transfer to/from Reserve	-1,181,426	17,574	-1,181,426	0
Grants, Reimbursements & Contributions	-123,479	-74,074	-109,548	13,931
Customer and Client Receipts	-957,985	-640,724	-942,976	15,009
Interest Received	-70,000	-4,315	-90,000	-20,000
Grand Total	28,987,650	20,838,772	27,685,928	-1,301,722

Employees – There is a net underspend of £666k on employee related expenditure which includes pay, national insurance and pension costs of staff as well as employment agency costs. This underspend relates to current staffing levels under budgeted establishment in RDS, the control room, and administrative staff across the whole organisation.

Premises – The overspend relates to planned rental savings not being achieved this financial year, this has been corrected in the 2014/15 budget.

Transport – The overspend relates to the new car lease scheme for officers. The budget was reduced at the start of the year in anticipation of the scheme which didn't start until part way through the year.

Supplies and Services - The main underspends are in the following areas; ICT due to the delayed implementation of the APN project and savings in the cost of communications; protective clothing and operational equipment for USAR.

Customer and Client Receipts – the forecasted shortfall relates to course fee income and is offset by an underspend on staffing in the training unit.

Interest received – It is currently projected that the interest received will be in excess of the £70k budgeted.

3. Aged Analysis of Agency Staff

Post Designation	From	To	Duration (months)
12 months +			
ICT Manager	Jun-12	Jun-13	13
Control Project Accountant	Jul-12	Jun-13	12
6-12 months			
ICT Service Desk Technician	Jan-13	Jun-13	6
Less than 6 months			
Control Project ICT Project Support	Aug-13	Oct-13	2.5
Team Administrator	Sep-13	Nov-13	2.5
ICT Systems Administrator	Jul-13	Jul-13	1
ICT Service Desk Technician	Sep-13	Sep-13	0.5

The posts indicated in the table above have been filled by agency staff during 2013/14 in support of staffing restructures within the Finance and ICT teams. Agency staff have also been used to cover for existing staff who have been temporarily re-assigned to support the control room project, the costs of this support is funded by a CLG (combined control) grant.

4. Major Risk Areas

The monitoring process will focus on areas identified by management as high risk. An initial assessment of the main financial risks faced has been undertaken by Finance against the following categories:

- High value budgets
- Historically volatile budgets
- Demand led income and expenditure budgets

		Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
A.	Employee Direct Costs	22,341,808	16,041,995	21,594,614	-747,194
B.	Knowledge & Information Services	1,371,766	1,020,564	1,380,835	9,069
C.	ICTU Course Fee Income	165,000	105,475	145,000	-20,000
D.	Fuel Charges	360,000	238,293	317,513	-42,487
E.	Energy/Utilities	270,744	146,444	275,397	4,653
F.	Employment Agencies/Consultants	381,685	275,769	554,782	173,097

Key variance explanations:

Knowledge & Information Services – Following the restructure there are a number of vacant posts in this team, some of which are being covered by agency members of staff.

Course Fee Income – forecasted shortfall here due to lower than expected sales in the summer period. This is offset by an underspend in staffing in the training unit and will be continue to be closely monitored.

Fuel –Despite the current projected underspend on fuel, this area is still considered a risk due to the volatile nature of fuel prices and will continue to be monitored closely.

Employment Agencies/Consultants - Consultancy work continues to contribute towards delivering the moving forward agenda, implementing the new asset management system, restructure of the knowledge information services team (KIS), SAP HR and work on the control room project.

5. Savings and efficiencies

Of the £1,584k savings offered up in the 2013/14 MTFP £887k is from operations, £612k from finance & assets with the remainder from the people and organisation development directorate.

The savings relating to the reduction of firefighter posts will be realised in line with the retirement profile. When the budget is set the establishment is reduced by the full number of post reduction proposed. With currently one firefighter over the budgeted establishment it is anticipated that by year end these savings will be achieved.

The under-recovery of savings identified in the table below have been reflected as overspends within the overall budget monitoring in Table 1.

Dept	Description	Target Saving £000	Forecast Actual Saving £000	Under/ (Over) Recovery £000	Comments
Delivery, Corporate Development and Planning	Reduction of 12 FF posts & changes to day crewing	887	733	39	currently 1 FF over budgeted establishment
People & Organisation Development	Training & Admin Support savings	85	85	0	
Finance & Assets	Finance & Assets savings - various	612	542	70	Unit 7 rental
Total Savings		1,584	1,360	109	

6. Capital Forecasts

The capital programme for 2013/14 is £2.459m which together with a number of carry forward schemes totals £3.742m.

Project Name	Original Budget 2013-14	Agreed 12-13 Carry Forwards Executive	Revised Budget 2013-14	Actual Year to Date	Commitments 2013-14	Forecast Out-turn 2013/14	Slippage to 2014/15	Year End Variance
Property Portfolio								
Bletchley - M & E Phase 2	0	0	0	12,288	0	24,500	0	24,500
Chesham Roof	0	12,000	42,000	41,698	1,500	43,199	0	1,199
Great Holm - Boiler & Roof	0	100,000	100,000	77,638	1,158	78,796	0	-21,204
High Wycombe Drill Tower	0	58,000	58,000	59,079	2,059	61,138	0	3,138
Environmental Improvements	243,000	0	213,000	158,903	32,301	199,000	0	-14,000
Property Review	940,000	0	940,000	0	0	0	940,000	0
<i>Sub Total</i>	1,183,000	170,000	1,353,000	349,606	37,018	406,633	940,000	-6,367
Fire Appliances & Equipment								
Operational Equipment	135,200	0	135,200	90,411	0	101,000	34,200	0
BA Set Replacement	0	15,371	15,371	13,456	0	13,456	0	-1,915
Operational Vehicles	865,000	0	865,000	243	0	243	865,000	243
Environmental Protection Unit	48,000	0	48,000	0	0	0	48,000	0
New Boats	30,000	0	30,000	0	0	30,000	0	0
<i>Sub Total</i>	1,078,200	15,371	1,093,571	104,111	0	144,699	947,200	-1,672
Community Safety								
Smoke Alarms	58,000	0	58,000	53,024	7,526	60,549	0	2,549
Sprinklers	25,000	0	25,000	8,000		8,500	14,000	-2,500
<i>Sub Total</i>	83,000	0	83,000	61,024	7,526	69,049	14,000	49
Support								
ICT	115,000	100,000	215,000	74,269	7,801	99,000	100,000	-16,000
Asset Management System	0	0	69,525	57,984	11,541	69,525	0	0
Staff Cars	0	0	127,658	88,890	51,970	140,860	0	13,202
<i>Sub Total</i>	115,000	100,000	412,183	221,144	71,312	309,385	100,000	-2,798
Control Room Project								
Control Room	0	800,000	800,000	0	0	0	800,000	0
TOTAL	2,459,200	1,085,371	3,741,754	735,884	115,856	929,767	2,801,200	-10,787

Capital Funding

The capital programme will be funded as follows;

Funding Source	£
Capital Grant 2013/14	739,528
Unapplied/Unused Capital Grant 2012-13 Brought forward	51,714
Transfer from RCCO Reserve	0
Vehicle Replacement Reserve	69,000
Asset Management Reserve	69,525
Total Funding	929,767

Property Portfolio

The Bletchley fire station project has overspent against the agreed budget due to additional work on the replacement of windows and repairs to the telephone-communication network carried out which were not originally planned. The budget holder has identified underspends elsewhere in the property capital programme and has requested a virement to cover the overspend.

The High Wycombe drill tower scheme is now complete with the outstanding retention fee due to be paid next financial year included within the forecast outturn figure. The project has overspent against the agreed budget due to additional brickwork required to complete the drill tower which cost £8k. Chesham roof was temporarily fixed in 2012, however after inspection it was recommended that the roof be replaced. The roof contract for Chesham fire station was completed in October with the additional cost funded by underspends identified within other property schemes.

The Environmental Improvements budget consists of two schemes; LED and roof mounted PV systems. The LED tender was awarded in July and the contractor commenced work in August with all installations completed by September. The PV systems installation was completed at headquarters in October and installations are currently being carried out in Broughton and then Winslow stations. It is projected that both these schemes will be completed with an underspend as the cost came in lower than budgeted. The property review is ongoing and we have made contact with the interested parties to open discussions.

Fire Appliances & Equipment

The contract for the breathing set apparatus is now complete and the transition to the Draeger breathing apparatus sets replacement programme was carried out in May 2013. The majority of the planned expenditure for operation equipment has taken place with some general equipment still to purchase before the end of the financial year. Due to the delay in purchasing the 4X4, the budget allocated for 4X4 equipment will be slipped into next financial year.

The environmental protection unit (EPU) funding has been match funded by the environmental agency and the budget holder has sent the specification to the agency, which has been agreed. Manufacturers have been contacted regarding the specification required and the budget holder has highlighted the difficulty in finding a suitable manufacturer who will produce the chassis for the EPU under Euro 5 emission regulations as Euro 6 will be introduced next year. This is likely to delay the purchase until the end of this financial year or possibly into next year depending on when manufacturers are able to produce the chassis under Euro 6 regulations and provide a cost. The current EPU was transferred to Manchester fire authority as part of the funding agreement with the environmental agency.

The operational vehicles budget is split into two schemes; £565k Aerial replacement scheme and £300k for 4X4 appliances. A paper was submitted to SMT at the start of September requesting a mini competition to take place in order to select suitable supplier for the aerial replacement vehicle. The tender documents received from potential suppliers are currently under review and a decision is due as soon as the analysis is complete. The construction of this vehicle will take approximately 12 months, hence the scheme slipping into next financial year.

The remaining budget will be used to purchase two 4X4 appliances. The authority is part of the Framework Agreement for Light Rescue Pumping Appliances which has been procured by Devon & Somerset Fire and Rescue Service for all UK fire services. Devon and Somerset Fire and Rescue Service displayed a prototype of the vehicle at the Emergency Services show which the budget holder attended in September, however, the framework specification is not for a 4X4 appliance. If the authority decides to go for a 4x4 then it will require a full tender process and cannot use the framework, which will cause a delay in making a purchase. Euro 5/6 regulations will also impact the purchase of this appliance if we do not go with the framework specification and select the 4x4 option instead. A full test was due in November which has now been delayed due to issues relating to the vehicle build. As a result of the delay, it is unlikely a purchase will be made this year leading to the budget being slipped into next financial year.

The new boats scheme has had the specification agreed by the end users which is in line with the national requirements for water rescue teams. Invitations to quote were sent to suppliers in November with a submission deadline set in December. All quotes have been received and the budget holder is currently working with procurement to review the quotes and aims to select a supplier in January 2014.

Community Safety

There is a plan to purchase 10,000 smoke alarms during the year to replenish stock and meet the fitting schedule of which most have now been purchased. The smoke alarms scheme is projecting a slight overspend against its original budget which will be offset against the underspend identified within the sprinkler system scheme. The portable domestic sprinkler system was allocated a budget to purchase and install 10 sprinklers, to date only 4 sprinklers have been purchased. Based on demand to date, it is unlikely that there will be a need to purchase additional sprinklers this year, therefore the majority of the remaining budget will be slipped into next financial year.

Support

ICT is currently projecting an underspend of 16k relating to the development of the Bucks Fire website which was originally planned to be capitalised. However this will now be funded through revenue, with the revenue contribution to capital reduced by 16k to cover this. Expenditure relating to the wi-fi infrastructure was lower than planned and reallocated to cover additional spend on the server virtualisation and other hardware. The majority of the orders relating to network, hardware and software purchases were planned to take place between October and February. However, the work on replacing the telephony system has not progressed as anticipated, and therefore the remaining budget will be slipped into next financial year.

The planned expenditure on staff cars for this financial year relates to five purchases from which three have been purchased. The expected delivery date of the remaining purchases may not be until April 2014, which will require the budget to be slipped into next financial year. Once a delivery date is confirmed, we will be able to confirm if the budget needs to be slipped or if we can make payment this financial year.

Testing for the asset management system took place in Buckingham as part of phase 1 and the system has passed the user acceptance stage. Two individuals have been seconded with the task to visit every station and label all appliances and equipment and update the asset management system. It is estimated that this will be completed by the end of this financial year. Once this is complete, all watches will be trained on how to use the system.

7. Performance Indicators

The table below shows the performance targets and actuals (rolling averages) for the year to date.

Description	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Target	2013/14 Actual (rolling average)
Budget Monitoring Training	35%	100%	95%	90%	78%
Managers accessing SAP Cost Centre Report	76%	100%	86%	100%	83%
% invoices paid within 30 days	97%	100%	97%	98%	98%
Budget Mon. Report turn-around (working days)	44 days	21 days	14 days	8 days	8 days

Budget setting training sessions were attended by 78% of budget holders in September, with a number unable to attend due to their involvement in industrial action contingency planning. There will be further budget monitoring training rolled out to cost centre managers in the coming months, these will be complemented by on-line sessions that have been developed.

The number of managers accessing the SAP cost centre report was 70% in December which is down on the previous two months, bringing the rolling average for the first three quarters of the year to 84%. This remains below the target of 100% and finance will continue to work with all cost centre managers to ensure that this is improved and the target level is reached.

The consistent high level of creditor invoices paid within 30 days continued with 99.6% paid within 30 days in December. This has been consistently high each month April to December and gives a rolling average of 98%, in line with the 2013/14 target.

The budget monitoring report was produced for senior management board in four working days by the finance team. This has brought the average down to eight days which is now in line with the current target. This is a significant improvement on the overall average for 2012/13 of 14 days and every effort is being made by the management accounting team to ensure that this is maintained.

8. Debt Management

The table (below) shows the key Debtor performance figures for the nine months to December;

DEBTOR KEY PERFORMANCE INDICATORS 2013/14	Q1	Q2	Q3
Debts over 60 days overdue	£33,304	£24,454	£14,812
Total Debt outstanding	£115,504	£109,957	£70,576
Debts over 60 days overdue as a % of total debt outstanding	29.8%	23.9%	21.2%
Debts over 60 days overdue as a % of total income to date	1.7%	1.2%	0.7%
Average time from raising invoices to receipt of income	66	73	54

The debtors figures shown above demonstrate a marked improvement over the first three quarters of the year. The average debts over 60 days overdue for quarter three are less than half the average amount for the first quarter of the year. The total debt outstanding has also fallen significantly over the same period. The improvement is due to a targeted effort to improve debt collection performance within the Finance team.

The average time from raising invoices to the receipt of income still remains high. The overall average can vary significantly from one month to the next due to the successful recovery of older debtors.

9. Virements

The table below shows in summary the virements actioned in this financial year to date on a subjective basis;

Subjective	April 2013 Agreed Plan	Permanent in year virements	Revised base budget	Temporary in year virements	Revised Budget 2013/14
Employees - Direct	21,973,573	176,710	22,150,283	191,524	22,341,807
Employees - Indirect	904,557	1,690	906,247	-1,500	904,747
Premises	1,667,932		1,667,932	174,573	1,842,505
Transport	1,180,879	-85,895	1,094,984	8,610	1,103,594
Supplies and Services	2,147,739	260	2,147,999	37,383	2,185,382
Contingency & Provisions	1,160,128	-191,210	968,918	-229,576	739,342
3rd Party Payments	305,493	10,040	315,533		315,533
Capital Charges	720,000		720,000		720,000
Direct Revenue Financing	1,473,000		1,473,000	-51,000	1,422,000
Transfer to/from Reserve	-1,181,426		-1,181,426		-1,181,426
Grants, Reimbursements & Contributions	-420,390	42,540	-377,850		-377,850
Customer and Client Receipts	-873,835	45,865	-827,970	-130,014	-957,984
Interest Received	-70,000		-70,000		-70,000
Capital Grants Received	0		0		0
Grand Total	28,987,650	0	28,987,650	0	28,987,650

Temporary in-year virements authorised and actioned:

Narrative	From (credit)	To (debit)
Property Management Consultant (£35,000)	Direct Revenue Financing	Employees – direct
Realignment of business & water rates budgets (£576)	Contingency	Premises
Workshop post budget vacancy (£16,380)	Employees – direct	Supplies & Services
General Training budget (£1,500)	Employees – indirect	Employees – direct
Realignment of Property Maintenance budgets (£4,727)	Premises	Supplies & Services
Income from seconded Information Governance post (£24,792)	Employees – direct	Grants, Reimbursements & Contributions
Industrial action costs (£80,000)	Contingency (£25,000)	Employees – direct (£25,000)
	Contingency (£55,000)	Premises (£55,000)
Property related schemes (£149,000)	Contingency (£25,000)	Employees – direct (£25,000)
	Contingency (£124,000)	Premises (£124,000)
Property budget realignment (£276)	Premises	Supplies & Services
Seconded Officers (£105,222)	Customer & client receipts (£96,612)	Employees – direct (£96,612)
	Customer & client receipts (£8,610)	Transport (£8,610)
Website development (£16,000)	Direct Revenue Financing	Supplies & Services

Permanent virements authorised and actioned:

Narrative	From (credit)	To (debit)
Realignment of 2013/14 budget (£28,040)	Customer & client receipts (£10,000)	Employees – direct (£10,000)
	Customer & client receipts (£17,000)	3 rd party payments (£17,000)
	Supplies & Services (£1,040)	3 rd party payments (£1,040)
Treasury Management support costs (Finance SLA/Consultancy) (£5,500)	3 rd Party Payments	Supplies & Services
Treasury Management support costs (Finance SLA/Software) (£2,500)	3 rd Party Payments	Supplies & Services
Fuel Budget realignment (£42,540)	Transport	Grants, Reimbursements & Contributions
RDS retaining fees budgets correction (£161,210)	Contingency	Employees direct
Realignment of fleet budgets (£72,865)	Contingency (£30,000)	Customer & client receipts (£30,000)
	Transport (£42,865)	Customer & client receipts (£42,865)
Finance budget realignment (£1,690)	Supplies & Services (£1,200)	Employees – indirect (£1,200)
	Transport (£490)	Employees – indirect (£490)

Capital virements requiring authorisation;

From/To	Cr/Dr	Subjective		Approval Needed	
		Purchase of Equipment	General Maintenance (Capital)	SMB	Executive
Bletchley - M & E Phase 2	Dr		24,500	Y	Y
Environmental Improvements	Cr	-14,000			
Great Holm - Boiler & Roof	Cr		-10,500		
<i>Use of underspend on Environmental Improvements and Great Holm projects to fund additional works at Bletchley</i>					



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	David Skinner, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Local Government Pension Scheme – Restructuring of Liability
EXECUTIVE SUMMARY	<p>The Authority currently makes employers contributions to the Local Government Pension Scheme for Green Book workers.</p> <p>These contributions are paid each month as a fixed percentage of pensionable remuneration. The total contribution rate required from 2014/15 is 19.9%. Part of this contribution relates to the current individual employee (13.3%) and the balance (6.6%) is paid to cover the cost of the deficit based on the initial results of the latest Actuarial Valuation (March 2013).</p> <p>The proposal in this report covers the one-off lump sum repayment of the deficit to reduce the deficit recovery amount for the Authority to zero. Currently the actuaries are projecting that there is a deficit amount of £1,920k, which would be spread over a suggested nine year recovery period. The annual deficit repayment amount is estimated at £228k for 2014/15 and this figure will rise in future years. The average repayment over the nine year period will be £274k per annum. This means that the interest cost over the nine year period will be £546k.</p> <p>If the lump sum payment is made into the fund then these annual payments would cease. In effect the Authority is making annual revenue payments of £228k (and rising) to the Pension Fund from current income for past liabilities. Set against the background of a sharply decreasing income base, this represents a significant pressure on future budgets.</p> <p>There is a clear need to make substantial budgetary reductions beyond service transformation and restructuring the cost of the Authority's pension liabilities represents a significant opportunity to achieve this.</p>

	<p>The actuaries have advised the necessary accounting treatment and this has been passed to the external auditor for confirmation</p> <p>The payment would need to be made before the commencement of the coming financial year in order to gain the savings recognised.</p> <p>Options</p> <p>There are only two options available either to continue to pay a regular annual sum (currently circa £228k) or to buy out the full liability in the form of a lump sum payment (£1,920k). In the event of the Authority overpaying or underpaying, the Actuaries would adjust the Authority’s employer contribution rate on future Actuarial Valuations.</p> <p>If the Authority decided not to repay this pension liability then Investment Income would be earned on this balance. In 2014/15 this is projected to be between 0.50% and 0.59%. Given the current economic position it is unlikely that there would be any significant increase in these returns in the next few years, although they are likely to increase over the longer term. In the short term, the investment returns on internal funds will underperform government projections for inflation.</p> <p>Conclusions</p> <p>The potential restructuring of pension liabilities offers an opportunity to reduce revenue expenditure substantially and would also mean that the Authority’s shrinking current income base would not continue to have to fund these past liabilities.</p> <p>If the Authority decided against restructuring the pension liabilities, then it would need to either find further savings of £228k (and rising) from service budgets or consider increasing income through Council Tax.</p>
ACTION	Decision.
RECOMMENDATIONS	That the restructuring of the Authority’s Local Government Pension Fund liabilities (by making a one-off payment of £1,920k into the pension fund) be approved.

RISK MANAGEMENT	<p>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 and can demonstrate the arrangements for ensuring financial resilience to secure a stable financial position for the foreseeable future.</p> <p>This will still leave a prudent level of reserves for the Authority.</p>
FINANCIAL IMPLICATIONS	As set out in the main body of the report.
LEGAL IMPLICATIONS	There are no external legal implications. The lump sum payment involves resources not being used for the purposes approved by the Authority (a change in policy), which requires formal approval by the Executive Committee as per Financial Regulations (B.5).
HEALTH AND SAFETY	None.
EQUALITY AND DIVERSITY	No direct impact as a result of this decision.
USE OF RESOURCES	The paper sets out the continuation of the improvement agenda for achieving greater ownership and accountability for resources attached to the delivery of specific aims and objectives of the Authority.
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Background</p> <p>2013 Actuarial Valuation presentation (Barnett Waddingham)</p> <p>http://www.buckscc.gov.uk/media/1539310/PGM-281113-Barnett-Waddingham.pdf</p>
APPENDICES	None.
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	<p>Jacqui May</p> <p>jmay@bucksfire.gov.uk</p> <p>01296 744428</p>

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Buckinghamshire & Milton Keynes Fire Authority

MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	David Skinner, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Treasury Management
EXECUTIVE SUMMARY	<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.</p> <p>The changes of note are:</p> <ol style="list-style-type: none"> 1. That the counterparty limit for Lloyds is increased from £5 million to £7.5 million; 2. That a limited number of non-UK based banks are added to the counterparty list; and 3. That a limited number of additional UK based building societies are added to the counterparty list.
ACTION	Decision.
RECOMMENDATIONS	That the Authority be recommended to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy for 2014/15.
RISK MANAGEMENT	<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>FINANCIAL IMPLICATIONS</p>	<p>The projected interest for 2014/15 is likely to be significantly lower than the projected outturn for 2013/14. However, it is still anticipated that the current budget of £70k is achievable, providing there is no significant worsening of the interest rate environment or a large decrease in cash balances. Detailed information is shown within Appendix A.</p>
<p>LEGAL IMPLICATIONS</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>HEALTH AND SAFETY</p>	<p>No direct impact.</p>
<p>EQUALITY AND DIVERSITY</p>	<p>No direct impact.</p>
<p>USE OF RESOURCES</p>	<p>The projected income has been factored into the Medium Term Financial Plan.</p>
<p>PROVENANCE SECTION & BACKGROUND PAPERS</p>	<p>Treasury Management Strategy and Policy Statements 2012/13 http://www.bucksfire.gov.uk/NR/rdonlyres/99BE21DF-99EB-42E2-A9C7-8846A6E3F112/0/BMKFA13022013.pdf (page 31 – 42)</p> <p>Treasury Management Practices http://www.bucksfire.gov.uk/NR/rdonlyres/FDA454EA-1735-4569-BE96-C1E3D0079A75/0/ITEM6TreasuryManagementPractice sandASep13andAnnexA.pdf</p> <p>CIPFA Code of Practice for Treasury Management in the Public Services (CIPFA Code).</p> <p>Department for Communities and Local Government Guidance on Local Government Investments (DCLG Guidance).</p> <p>This paper should also be read in conjunction with the paper “The Prudential Code, prudential indicators and minimum revenue provision” and “Treasury Management Performance 2013-14 – Quarter 3”.</p>

<p>APPENDICES</p>	<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>
<p>TIME REQUIRED</p>	<p>10 minutes.</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Mark Hemming mhemming@bucksfire.gov.uk 01296 744687</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 2013 comprised:

Borrowing

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

Investments

£16.738m Average Rate 1 April 2013 to 31 December 2013: 0.77%

Prospects for Interest Rates

For 2014/15, 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 £84k on a balance of £16.738m (the total projected return for 2013/14 is circa £120k).

If the Annual Investment Strategy was to remain unchanged from 2013/14, the Authority projects that it could achieve an average rate of 0.55%, which would give an annual return of circa £92k on a balance of £16.738m.

By adopting the proposed revised counterparty limits within the Annual Investment Strategy (AIS) the Authority projects that it could achieve an average rate of 0.59%, which would give an annual return of circa £98k on a balance of £16.738m. Adopting the revised Strategy will also have a number of additional benefits, as detailed in 'Counterparty Limits' section of the AIS.

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.

Furthermore, the Authority's officers recognise that ratings should 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 codings 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.

The Authority will also invest in AAA rated money market funds during the year.

Country Limits

In 2013/14, the Authority determined that it would only use approved counterparties based within the United Kingdom during the year. For 2014/15, it is proposed to allow a limited number of counterparties from outside of the UK to be used. 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 2013/14 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 2014/15 AIS will 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 now 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 would be achieved on our main instant access account (which currently pays between 0.27% - 0.33% depending on the balance held)
- The staff time taken to move money between our main bank account and our instant access account would be reduced
- The banking charges associated with the movement of the money between the accounts would be reduced
- The additional risk exposure to the Authority would be 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 is not a specified investment. The Authority does not plan to make any non-specified investments

during the year.

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 2014. Please note that all colours indicated refer to Capita's creditworthiness policy (see Appendix A):

UK Based Counterparties

Country	Counterparty	Maximum Duration
UK	Bank of New York Mellon (International) Ltd	Orange - 12 mths
UK	Barclays Bank plc – see Note 1	No colour - 0 mths
UK	Credit Suisse International	Red - 6 mths
UK	HSBC Bank plc	Orange - 12 mths
UK	MBNA Europe Bank	Red - 6 mths
UK	Santander UK PLC	Green - 100 days
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	Green - 100 days
UK	Debt Management Office	Yellow - 60 mths
UK	Other Local Authorities	Yellow - 60 mths
UK*	Lloyds Banking Group Plc	Blue - 12 mths
UK*	Royal Bank of Scotland Group Plc	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

Note 1 – Barclays Bank plc is currently rated by Capita at 'no colour'. This is due to the fact that the CDS rating for Barclays has moved from 'In-Range' to 'Monitoring' status when compared to the iTraxx benchmark. However this is not because the CDS rating for Barclays has risen, but because it has not fallen as fast as the benchmark. Capita expect this to be a temporary situation (possibly caused by low trading volumes over the Christmas period) and have recommended to leave the current investment of £5 million on-call, but to not place any additional fixed term deposits at present. The situation will be monitored closely over the next few weeks and months.

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 add 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 adding these additional counterparties 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.

Country	Counterparty	Maximum Duration (as rated by Capita)
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 has appointed 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
December 2013	0.50%	2.50	4.40	4.40
March 2014	0.50%	2.50	4.40	4.40
June 2014	0.50%	2.60	4.50	4.50
September 2014	0.50%	2.70	4.50	4.50
December 2014	0.50%	2.70	4.60	4.60
March 2015	0.50%	2.80	4.60	4.70
June 2015	0.50%	2.80	4.70	4.80
September 2015	0.50%	2.90	4.80	4.90
December 2015	0.50%	3.00	4.90	5.00
March 2016	0.50%	3.10	5.00	5.10
June 2016	0.75%	3.20	5.10	5.20
September 2016	1.00%	3.30	5.10	5.20
December 2016	1.00%	3.40	5.10	5.20
March 2017	1.25%	3.40	5.10	5.20

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 during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid-October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back

from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. 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.

Downside risks currently include:

- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England's forecasts
- Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against 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.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

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

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rise to levels that undermine investor confidence in the UK and UK debt.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	David Skinner, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	The Prudential Code, Prudential Indicators and Minimum Revenue Provision
EXECUTIVE SUMMARY	<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.</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 will therefore ensure that no additional borrowing is undertaken in the foreseeable future.</p>
ACTION	Decision.
RECOMMENDATIONS	<p>That the Authority be recommended to approve:</p> <ol style="list-style-type: none"> 1. the prudential indicators; and 2. the minimum revenue provision policy statement.
RISK MANAGEMENT	<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>

<p>FINANCIAL IMPLICATIONS</p>	<p>The decision on the prudential indicators sets out the financial limits within which the Authority will operate in future years.</p> <p>The minimum revenue provision is a statutory charge against the General Fund, estimated at £310k for 2014/15.</p>
<p>LEGAL IMPLICATIONS</p>	<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>
<p>HEALTH AND SAFETY</p>	<p>No impact.</p>
<p>EQUALITY AND DIVERSITY</p>	<p>No impact.</p>
<p>USE OF RESOURCES</p>	<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>
<p>PROVENANCE SECTION & BACKGROUND PAPERS</p>	<p>The draft medium term financial plan 2014/15 - 2017/18 (final to be approved February 2014).</p>
<p>APPENDICES</p>	<p>Appendix A – Prudential Indicators Appendix B – Summary Table of Prudential Indicators Appendix C – Minimum Revenue Provision Policy Statement</p>
<p>TIME REQUIRED</p>	<p>10 minutes.</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Mark Hemming mhemming@bucksfire.gov.uk 01296 744687</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 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Ratio of financing costs to net revenue stream	2.0%	2.1%	2.1%	2.1%	1.9%

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 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
The incremental impact of capital investment decisions on the council tax	£0.00	-£0.09	-£0.04	-£0.04	-£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. As can be seen, the gross borrowing exceeds the CFR for just one year. This is due to a minor timing difference between setting money aside to repay borrowing and the actual repayment date. 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 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Gross borrowing (£000)	8,265	8,265	8,265	8,265	7,750
Capital financing requirement (£000)	9,004	8,669	8,359	8,061	7,775

3.0 Indicators for Capital Expenditure

3.1 Capital expenditure

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

Indicator	Actual 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Capital expenditure (£000)	1,558	930	4,068	1,479	1,357

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:

Indicator	Actual 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Capital financing requirement (underlying need to borrow for a capital purpose) (£000)	9,004	8,669	8,359	8,061	7,775

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:

Indicator	Actual 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Authorised limit for borrowing (£000)	8,265	8,265	8,265	8,265	7,750
Authorised limit for other long-term liabilities (£000)	1,920	1,873	1,826	1,779	1,732
Authorised limit for external debt (£000)	10,185	10,138	10,091	10,044	9,482

4.2 Operational Boundary

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

Indicator	Actual 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Operational boundary for borrowing (£000)	8,265	8,265	8,265	8,265	7,750
Operational boundary for other long-term liabilities (£000)	1,920	1,873	1,826	1,779	1,732
Operational boundary for external debt (£000)	10,185	10,138	10,091	10,044	9,482

The actual external debt for the year ending 31 March 2013 was **£10.185m**.

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 2014/15.

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 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
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 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
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 2012/13	Projected 2013/14		Estimate 2014/15		Estimate 2015/16		Estimate 2016/17	
	Actual Maturity	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit
Under 12 months	0%	0%	0%	0%	6%	0%	5%	0%	0%
12 months and within 24 months	0%	0%	6%	0%	4%	0%	0%	0%	8%
24 months and within five years	11%	0%	12%	0%	7%	0%	8%	0%	0%
five years and within 10 years	15%	0%	20%	0%	20%	0%	21%	0%	22%
10 years and within 20 years	40%	0%	28%	0%	29%	0%	30%	0%	32%
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%	26%	0%	36%	0%	38%
40 years and above	8%	0%	8%	0%	8%	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 currently has no plans to invest for periods longer than 364 days. This will be kept under review in light of economic conditions and advice from treasury management advisors:

Indicator	Actual 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Total principal sums invested for periods longer than 364 days (£000)	0	0	0	0	0

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 2012/13	Projected 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
Indicators for Affordability						
1.1	Ratio of financing costs to net revenue stream	2.0%	2.1%	2.1%	2.1%	1.9%
1.2	The incremental impact of capital investment decisions on the council tax	£0.00	-£0.09	-£0.04	-£0.04	-£0.04
Indicators for Prudence						
2.1	Gross borrowing (£000)	8,265	8,265	8,265	8,265	7,750
Indicators for Capital Expenditure						
3.1	Capital expenditure (£000)	1,558	930	4,068	1,479	1,357
3.2	Capital financing requirement (£000)	9,004	8,669	8,359	8,061	7,775
Indicators for External Debt						
4.1	Authorised limit for external debt (£000)	10,185	10,138	10,091	10,044	9,482
4.2	Operational boundary for external debt (£000)	10,185	10,138	10,091	10,044	9,482
Indicators for Treasury Management						
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 2013 was £10.185m. The projected external debt for the year ending 31 March 2014 is £10.138m.

The following indicators are not shown above:

- 5.1 – the Authority has adopted CIPFA’s Treasury Management Code for 2013/14
- 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 £129k for 2014/15. 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 £181k for 2014/15.

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.

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	David Skinner, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Medium Term Financial Plan (MTFP) 2014/15 – 2017/18.
EXECUTIVE SUMMARY	<p>Attached at Appendix A is the summary of the latest draft Medium Term Financial Plan (MTFP) 2014/15 to 2017/18.</p> <p>There are three scenarios in the summary representing three different council tax options (see Appendices A (i)-(iii));</p> <ul style="list-style-type: none"> (i) Council tax freeze; (ii) 2% Council tax increase each year; (iii) 1% Council tax decrease each year. <p>Each model includes the actual growth in the council tax base for 2014/15 and assumes a 0.75% increase in council tax base for each following year.</p> <p>Assumptions have been made for pay and inflation increases and future years' government grants based on the latest information received from CLG. See Appendix B.</p> <p>The latest savings and growth bids identified by officers are summarised in Appendix C and D. These have been scrutinised by members of the business transformation board and senior management board as part of the budget challenge process.</p> <p>The provisional settlement was announced on 18 December 2013 and these latest figures are included in the summary. It is envisaged the final CSR announcement will be made in early January but dates are not yet known.</p> <p>Summary of changes since the last MTFP update;</p> <ul style="list-style-type: none"> • Adjustments to Government funding, specific grants and business rates as per the provisional settlement,

	<ul style="list-style-type: none"> • Adjustments to council tax base growth for 2014/15, • Inclusion of estimated control room costs for 2014/15, • 1% green book pay award from July 2013*, • 1% increase to Members allowances*, • Additional growth and savings bids as per the summaries at Appendix C and D <p><i>*Previous assumption of 1% pay award for grey book staff continues.</i></p> <p>The draft capital budget was discussed by the business transformation board and senior management board as part of the budget challenge process and is summarised at Appendix E.</p>
ACTION	Information.
RECOMMENDATIONS	<p>That Members:</p> <ol style="list-style-type: none"> 1. Consider the draft revenue budget and three different council tax options for 2014/15 to 2017/18 as set out in Appendix A (i)-(iii). 2. Consider the latest savings and growth bids at Appendix C and Appendix D. 3. Consider the draft capital budget for 2014/15 to 2017/18 at Appendix E.
RISK MANAGEMENT	<p>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.</p>
FINANCIAL IMPLICATIONS	Included in the appendices.
LEGAL IMPLICATIONS	<p>The Local Government Act 2003 gives the responsible finance officer, namely the Treasurer of the Combined Fire Authority under Section 112 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. This helps to inform members of the issues to be considered in advance of the budget decisions in February 2014.</p>

HEALTH AND SAFETY	No implications.
EQUALITY AND DIVERSITY	No implications.
USE OF RESOURCES	<p>The Medium Term Financial Plan identifies the financial resources required projected into the future based on the delivery of specific aims and objectives of the Authority as set out in the Public Safety Plan (PSP).</p> <p>Members, Senior Management Team and many staff will be involved in agreeing priorities and the budget setting process over the forthcoming months in line with the enclosed outline timetable.</p>
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Background</p> <p>MTFP 2013/14 to 2016/17 - February 2013 CFA; Guidance issued to Cost Centre Managers on MTFP 2014/15 to 2017/18; MTFP 2014/15 to 2017/18 - Report to 20 November Executive Committee.</p>
APPENDICES	<p>Appendix A - (i)-(iii) – Summary of draft MTFP 2014/15 to 2017/18;</p> <p>Appendix B – Funding, pay and inflation increase assumptions;</p> <p>Appendix C – Summary of savings bids;</p> <p>Appendix D – Summary of growth bids;</p> <p>Appendix E – Draft capital budget 2014/15 to 2017/18</p>
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	<p>Graham Young gyoung@bucksfire.gov.uk 01296 744429</p>

Appendix A(i)

Medium Term Financial Plan 2014/15 to 2017/18 (Council Tax Freeze with revised expected growth in council tax base in 14/15 and a 0.75% increase in council tax base from 2015/16)

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Base Budget	28,463	28,988	28,927	28,346	28,902
Pay Adjustment	160	204	212	518	218
Inflation Adjustment		86	98	103	98
Savings	-1,584	-579	-238	-10	-12
Previous year saving adjustments	-173	-666	-55	-45	0
Precept growth and collection fund surplus	411	386			
Growth	238	420	-194	-77	-12
Previous year growth adjustments		-35	34	68	0
Revenue Contribution to Capital	1,035	124	-438		
Net Operating Budget	28,550	28,927	28,346	28,902	29,196
Specific Projects	1,181	1,254			
Contribution to/(from) Reserves - Capital	438				
Contribution to/(from) Reserves - Asset Management	-115				
Contribution to/(from) Reserves - Vehicle Replacement	18				
Contribution to/(from) Reserves - Funding Pressures					
Contribution to/(from) Reserves - Moving Forward Agenda					
Contribution to/(from) Reserves - New Burdens	-84				
Contribution to/(from) Reserves - Control Room	-1,000	-1,254			
Net Budget Requirement	28,988	28,927	28,346	28,902	29,196
Govt Funding	-6,934	-6,011	-5,018	-4,030	-3,416
Business Rates	-4,495	-4,583	-4,709	-5,024	-5,201
Council Tax Support Grant					
Council Tax Receipts Surplus/Deficit	-188	-190			
Council Tax Freeze Grant 11/12					
Council Tax Freeze Grant 13/14					
Specific Grants (S.31)	-1,166	-1,178	-1,178	-1,178	-1,178
Council Tax Receipts	-16,205	-16,632	-16,757	-16,882	-17,009
Total Funding Available	-28,988	-28,594	-27,662	-27,114	-26,804
Shortfall for year	0	333	684	1,788	2,392
Cumulative savings requirement	0	333	1,017	2,805	5,197

Appendix A(ii)

Medium Term Financial Plan 2014/15 to 2017/18 (2% Council Tax increase with revised expected growth in council tax base in 14/15 and a 0.75% increase in council tax base from 2015/16)

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Base Budget	28,463	28,988	28,927	28,346	28,902
Pay Adjustment	160	204	212	518	218
Inflation Adjustment	0	86	98	103	98
Savings	-1,584	-579	-238	-10	-12
Previous year saving adjustments	-173	-666	-55	-45	0
Precept growth and collection fund surplus	411	386	0	0	0
Growth	238	420	-194	-77	-12
Previous year growth adjustments		-35	34	68	0
Revenue Contribution to Capital	1,035	124	-438	0	0
Net Operating Budget	28,550	28,927	28,346	28,902	29,196
Specific Projects	1,181	1,254			
Contribution to/(from) Reserves - Capital	438				
Contribution to/(from) Reserves - Asset Management	-115				
Contribution to/(from) Reserves - Vehicle Replacement	18				
Contribution to/(from) Reserves - Funding Pressures					
Contribution to/(from) Reserves - Moving Forward Agenda					
Contribution to/(from) Reserves - New Burdens	-84				
Contribution to/(from) Reserves - Control Room	-1,000	-1,254	0		
Net Budget Requirement	28,988	28,927	28,346	28,902	29,196
Govt Funding	-6,934	-6,011	-5,018	-4,030	-3,416
Business Rates	-4,495	-4,583	-4,709	-5,024	-5,201
Council Tax Support Grant	0	0	0	0	0
Council Tax Receipts Surplus/Deficit	-188	-190	0	0	0
Council Tax Freeze Grant 11/12	0	0	0	0	0
Council Tax Freeze Grant 13/14	0	0	0	0	0
Specific Grants (S.31)	-1,166	-1,178	-1,178	-1,178	-1,178
Council Tax Receipts	-16,205	-16,965	-17,431	-17,911	-18,403
Total Funding Available	-28,988	-28,927	-28,336	-28,142	-28,198
Shortfall for year	0	0	10	760	998
Cumulative savings requirement	0	0	10	770	1,768

Appendix A(iii)

Medium Term Financial Plan 2014/15 to 2017/18 (1% Council Tax decrease with revised expected growth in council tax base in 14/15 and a 0.75% increase in council tax base from 2015/16)

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Base Budget	28,463	28,988	28,927	28,346	28,902
Pay Adjustment	160	204	212	518	218
Inflation Adjustment	0	86	98	103	98
Savings	-1,584	-579	-238	-10	-12
Previous year saving adjustments	-173	-666	-55	-45	0
Precept growth and collection fund surplus	411	386	0	0	0
Growth	238	420	-194	-77	-12
Previous year growth adjustments		-35	34	68	0
Revenue Contribution to Capital	1,035	124	-438	0	0
Net Operating Budget	28,550	28,927	28,346	28,902	29,196
Specific Projects	1,181	1,254			
Contribution to/(from) Reserves - Capital	438				
Contribution to/(from) Reserves - Asset Management	-115				
Contribution to/(from) Reserves - Vehicle Replacement	18				
Contribution to/(from) Reserves - Funding Pressures					
Contribution to/(from) Reserves - Moving Forward Agenda					
Contribution to/(from) Reserves - New Burdens	-84				
Contribution to/(from) Reserves - Control Room	-1,000	-1,254	0		
Net Budget Requirement	28,988	28,927	28,346	28,902	29,196
Govt Funding	-6,934	-6,011	-5,018	-4,030	-3,416
Business Rates	-4,495	-4,583	-4,709	-5,024	-5,201
Council Tax Support Grant	0	0	0	0	0
Council Tax Receipts Surplus/Deficit	-188	-190	0	0	0
Council Tax Freeze Grant 11/12	0	0	0	0	0
Council Tax Freeze Grant 13/14	0	0	0	0	0
Specific Grants (S.31)	-1,166	-1,178	-1,178	-1,178	-1,178
Council Tax Receipts	-16,205	-16,466	-16,423	-16,381	-16,339
Total Funding Available	-28,988	-28,428	-27,328	-26,613	-26,134
Shortfall for year	0	499	1,018	2,290	3,062
Cumulative savings requirement	0	499	1,517	3,807	6,869

Appendix B

Funding, Pay and Inflation adjustments

Notes	Expenditure/Income	2014/15 %	2015/16 %	2016/17 %	2017/18 %
1	Council Tax (Model 1)	+0.0	+0.0	+0.0	+0.0
2	Council Tax (Model 2)	+2.0	+2.0	+2.0	+2.0
3	Council Tax (Model 3)	-1.0	-1.0	-1.0	-1.0
4	Formula Grant	-13.3	-16.5	-19.7	-15.2
5	Business Rates	+2.0	+2.7	+6.7	+3.5
6	Grey book Employees	+1.0	+1.0	+1.0	+1.0
7	Green book Employees	+1.0	+1.0	+1.0	+1.0
8	Members Allowances	+1.0	+1.0	+1.0	+1.0
9	Employers National Insurance	+0.0	+0.0	+3.4	+0.0
10	Employers Pension Costs	+0.0	+0.0	+0.0	+0.0
11	General Inflation	+1.9	+1.9	+2.0	+2.0
12	Utilities	+5.0	+5.0	+5.0	+5.0
13	Fuel	+6.0	+6.0	+6.0	+6.0
14	Rates	+2.0	+2.0	+2.0	+2.0

- 1 Council Tax Model 1 - Budget with Council Tax freeze in 2014/15
- 2 Council Tax Model 2 - Budget with 2% Council Tax increase from 2014/15 onwards
- 3 Council Tax Model 3 - Budget with 1% Council Tax decrease from 2014/15 onwards
- 4 Formula Grant - Assumptions based on latest detail from DCLG
- 5 Business Rates - Assumed growth in base
- 6 Employee increase of 1% has been applied to grey book staff from 2014/15
- 7 Employee increase of 1% has been applied to green book staff from 2014/15
- 8 Members Allowances - 1% increase from 2014/15
- 9 No notification of Employers National Insurance rates received for 2014/15
- 10 No change for Employers costs of Pension for Fire-fighters or LGPS at present
- 11 1.9% general inflation has been assumed for 2014/15
- 12 Gas and Electricity charges assumed increase of 5% for 2014/15
- 13 Fuel rates constant at 6% per year
- 14 Rates - a 2.0% increase has been assumed

Appendix C

SAVINGS BIDS 2014/15 TO 2017/18

Ref	Dept	Amount				Outcome of BTB	Comments
		2014/15	2015/16	2016/17	2017/18		
	Total for Public Safety bids agreed	192,600	423,600	426,600	426,600		
SAPS09	Public Safety	19,860	19,860	19,860	19,860	Agreed	Bank Holiday Overtime
SAPS10	Public Safety	26,550	26,550	26,550	26,550		Co-responder SCAS scheme (recovery of costs relating to GRPS15)
	Total for Public Safety new bids received	46,410	46,410	46,410	46,410		
	Grand total for Public Safety	239,010	470,010	473,010	473,010		
	Total for POD bids agreed	25,000	25,000	25,000	25,000		
	Total for POD new bids received	0	0	0	0		
	Grand total for POD	25,000	25,000	25,000	25,000		
	Total for Finance & Assets bids agreed	44,380	44,380	44,380	44,380		
SAFA14	Finance & Assets	21,000	21,000	21,000	21,000	Agreed	Audit fee reduction
SAFA15	Finance & Assets	30,000	30,000	30,000	30,000	Agreed	Solar Panel income
SAFA16	Finance & Assets	10,000	17,000	24,000	36,000	Agreed	Reduction in MRP
SAFA17	Finance & Assets	200,000	200,000	200,000	200,000	Agreed	LGPS pensions contribution reduction
	Total for Finance & Assets new bids received	261,000	268,000	275,000	287,000		
	Grand total for Finance & Assets	305,380	312,380	319,380	331,380		
	Total new savings bids	307,410	314,410	321,410	333,410		
	Bids previously agreed	261,980	492,980	495,980	495,980		
	Minor savings below £10k	10,000	10,000	10,000	10,000		
	Total savings bids	579,390	817,390	827,390	839,390		
	Increase in savings from previous year	579,390	238,000	10,000	12,000		

Appendix D

GROWTH BIDS 2014/15 TO 2017/18

Ref	Dept					Outcome of BTB	Linked to Savings Bid (Give detail)?	Comments
		2014/15	2015/16	2016/17	2017/18			
	Total for Public Safety bids agreed	22,680	6,480	6,480	6,480			
GRPS12	Public Safety	71,160	-7,260	-7,260	-7,260	Agreed		Operational Support Room Staffing
GRPS14	Public Safety	61,100				Agreed		Smoke Alarm provision
GRPS15	Public Safety	26,550	26,550	26,550	26,550			Co-responder SCAS scheme (cost neutral - exp will be recovered)
	Total for Public Safety new bids received	158,810	19,290	19,290	19,290			
	Grand total for Public Safety	181,490	25,770	25,770	25,770			
	Total for POD bids agreed	17,560	16,370	16,370	4,830			
	Total for POD new bids received	0	0	0	0			
	Grand total for POD	17,560	16,370	16,370	4,830			
	Total for Finance & Assets bids agreed	125,230	138,510	61,130	61,130			
GRFA08	Finance & Assets	60,000	10,000	10,000	10,000	Agreed	Linked to Capital Bid	Software and on-going support for Command Support Unit
GRFA10	Finance & Assets	36,000	36,000	36,000	36,000		Linked to Capital Bid	Revenue impact of 2014/15 capital schemes
	Total for Finance & Assets new bids received	96,000	46,000	46,000	46,000			
	Grand total for Finance & Assets	221,230	184,510	107,130	107,130			
	Total new growth bids	254,810	65,290	65,290	65,290			
	Bids previously agreed	165,470	161,360	83,980	72,440			
	Total growth bids	420,280	226,650	149,270	137,730			
	Increase in growth from previous year	420,280	-193,630	-77,380	-11,540			

Appendix E

CAPITAL PROGRAMME 2014/15-2017/18

	2014/15	2015/16	2016/17	2017/18	
	Budget Requests £	Budget Requests £	Budget Requests £	Budget Requests £	Additional Comments
Property Portfolio					
Property Review	550,000	600,000	600,000	600,000	Priority 1's plus a number of priority 2's
Property Total	550,000	600,000	600,000	600,000	
Fire Appliances & Equipment					
Purchase of BA Telemetry equipment	174,000	122,000			Telemetry phase of RPE replacement
Operational Equipment	57,150	57,150	57,150	57,150	Annual replacement of ladders & general Op equip
PPE Uniform	33,200				
Operational Equipment		600,000	600,000	600,000	Agreed in 13/14 capital budget
Incident Command Unit Replacement	155,000				Purchase of CSU and share ICU with RBFRS
Fire Appliances & Equipment Total	419,350	779,150	657,150	657,150	
Support					
ICT	260,000	100,000	100,000	100,000	
Hydrant Vans	13,400				Total budget £28k - £15k in a reserve
Workshop Service Van	24,500				
Support Total	297,900	100,000	100,000	100,000	

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	Lynne Swift, Director People & Organisational Development
LEAD MEMBER	Councillor Roger Reed
SUBJECT OF THE REPORT	BMKFA Pay Policy Principles and Statement 2014 15
EXECUTIVE SUMMARY	<p>The purpose of this report is to recommend approval to the Authority for the attached Pay Policy Principles and Statement for 2014/15, thus achieving compliance with the requirements of sections 38 to 40 of the Localism Act 2011 with regards to Openness and Accountability in Local Pay.</p> <p>A meeting of the full Fire Authority is required to approve its Pay Policy Statement "before the end of the 31 March" (sic) immediately preceding the financial year to which it relates.</p> <p>It is proposed that the attached draft (Appendix 1) be the Authority's Pay Policy Principles and Statement for 2014/15. It is based on the Pay Policy Statement for 2013/14 save as amended by additional text underlined (<u>underlined</u>) and deleted text shown struck through (struck through).</p> <p>The proposed policy statement takes into account DCLG requirements as set out in correspondence from the Secretary of State relating to Openness and Accountability in Local Pay, February 2013 (Appendix 2 of this report); and the supplementary statutory guidance (February 2013).</p> <p>In addition members can be assured that the Authority's pay policy statement complies with guidance on senior management reengagement and remuneration; highlighted recently by the Fire Minister in public correspondence with Cambridgeshire & Peterborough Fire and Rescue Authority.</p>

ACTION	Decision.
RECOMMENDATIONS	<p>It is recommended that :-</p> <p>The draft Pay Policy Principles and Statement at Appendix 1 be recommended to the Authority as its statutory Pay Policy Statement for 2014/15.</p>
RISK MANAGEMENT	The Fire Authority is required to adopt and publish a Pay Policy Statement annually.
FINANCIAL IMPLICATIONS	<p>There are no direct financial implications arising from the Pay Policy Statement, however 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.</p>
LEGAL IMPLICATIONS	<p>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> <p>The 2014/15 Pay Policy Statement must be approved by the full Authority before the end of 31 March 2014. Approvals cannot be delegated to any committee, subcommittee, or officers.</p> <p>The Pay Policy 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 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 Statement must include the Authority’s policies in relation to senior pay on:-</p>

	<p>(a) the level and elements of remuneration (b) remuneration on recruitment (c) increases and additions to remuneration (d) the use of performance related pay (e) the use of bonuses (f) the approach to payment on their ceasing to be employed by the authority, and (g) the publication of and access to information relating to remuneration</p> <p>The statutory guidance gives discretion as to whether the Authority wishes to mirror these headings in its Pay Policy Statement in respect of its other employees.</p>
<p>HEALTH AND SAFETY</p>	<p>No implications.</p>
<p>EQUALITY AND DIVERSITY</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>USE OF RESOURCES</p>	<p>Adoption of the annual Pay Policy 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>For example, the Authority is currently undertaking a review of support staff ('local Green Book') remuneration and conditions of service. Depending on the recommended outcomes, the 2014/15 Pay Policy Statement may require further amendments.</p>
<p>PROVENANCE SECTION & BACKGROUND PAPERS</p>	<p>Reports to the Meeting of the Buckinghamshire & Milton Keynes Fire Authority held 15 February 2012</p> <p>Agenda and reports: Item 11: Openness and Accountability in Local Pay: BMKFA Pay Policy Statement 2012/13 (pages 130 to 150) Agenda and reports</p> <p>Reports to the Meeting of the Buckinghamshire & Milton Keynes Fire Authority held 13 February 2013</p> <p>Agenda and reports: Item 7a: Pay Policy Statement 2013/14 (pages 11 to 22)</p>

	<p>Agenda and reports</p> <p>Openness and accountability in local pay: Guidance under section 40 of the Localism Act, February 2012, Department for Communities and Local Government https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5956/2091042.pdf</p> <p>Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011 Supplementary Guidance, February 2013, Department for Communities and Local Government https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf</p>
<p>APPENDICES</p>	<p>Appendix 1: Pay Policy Principles and Statement 2014/2015 (Part 1: All staff, Part 2: SMB only)</p> <p>Annex A: "Grey Book" Pay rates from 1 July 2013</p> <p>Annex B: "Green Book" Current pay scales from 1 July 2013</p> <p>Annex C: Employee Bonus Payment Setting Scheme and Process</p> <p>Appendix 2 Openness and Accountability in Local Pay</p>
<p>TIME REQUIRED</p>	<p>10 minutes.</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Faye Mansfield, Human Resources Operations Manager fmansfield@bucksfire.gov.uk 01296 744623</p>



Buckinghamshire & Milton Keynes Fire Authority
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Policy Note:

Pay Policy Principles and Statement 2014/15

To:	Document Type:	✓	Document Summary:
All employees of the Authority, including temporary staff	Policy	✓	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		
	Procedure		
	Guidance Note		
	Technical Note		
	Information		
	Safety Critical		

Keyword:

Please note that as Documents are frequently updated, if you print a document, its accuracy cannot be guaranteed, always check for latest version.

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 (subject to CFA approval)

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.

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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, April 1997 incorporated.
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 incremental points. Incremental progression normally occurs 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 exceeded.

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

7. Pay scales are inserted in the annexes:

Annex A "Grey Book" Pay rates from 1 July 2013

Annex B "Green Book" Pay scales from 1 July 2013

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 staff on 'local Green Book' 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.

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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 Annex C.

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

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 Human Resources Sub Committee held on 12 December 2012 and entitled Statement of Policy on the Adoption of Certain Employer Discretions and the minutes of the Executive Committee held on 17 July 2013. [Minutes.](#)

Publication of and access to information relating to remuneration

16. We will publish information in accordance with "The Code of Recommended Practice for Local Authorities on the Data Transparency".

Pay Multiple

17. 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;

Highest pay: lowest pay is ~~11.72~~ 11.5

Highest pay: median pay is ~~4.9~~ 4.87

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 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

- | | |
|---|--|
| <ul style="list-style-type: none"> 25. Summary dismissal Dismissal with notice Redundancy Resignation or leave date Redeployment | <ul style="list-style-type: none"> dismissal without notice payments salary payment in line with contract in accordance with service policy normal salary payment until end of notice period 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.
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 Code of Recommended Practice for Local Authorities on the Data Transparency".

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Department for
Communities and
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Leaders of Local Authorities in England
Chairs of Fire and Rescue Authorities

20 February 2013

Dear All

Openness and Accountability in Local Pay

The introduction of the Localism Act's pay accountability measures was an important step in increasing accountability over local decisions on pay and reward, particularly senior pay. I am pleased that when exercising their responsibilities under these measures and preparing pay policy statements for 2012-13, the majority of relevant authorities sought to reflect the spirit of our approach. Pay policy statements have proved a rich source of information for local citizens and other interested parties, enabling a closer examination of how local taxpayers' money is spent on pay and reward of local authority staff.

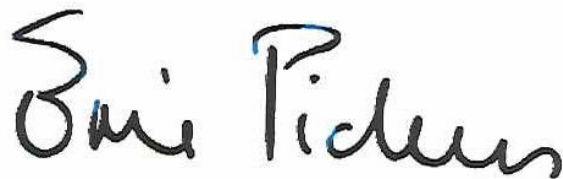
In February 2012, we published *Openness and Accountability in Local Pay*, to which authorities must have regard when exercising their duties on pay accountability. This guidance still stands. However, as authorities begin to prepare or review their statements for 2013-14, it is important that Members continue to consider how to improve the clarity and value of the information that their authorities are publishing. In addition, many authorities can do more to ensure that their most important – and often most costly – decisions on pay and reward are exposed to the scrutiny of Full Council.

I am therefore today issuing some short supplementary guidance for 2013-14 which seeks to reflect lessons learnt from the experience of last year. In particular, the supplementary guidance highlights:

- Members should ensure that pay policy statements are set out clearly, that they fully address all of the requirements of the Localism Act 2011 and accompanying guidance, and are accessible. While all authorities prepared a pay policy statement for 2012-13, not all could be found easily, for example from a simple search of the authority's website. This should change.
- Full Council should be given the opportunity to vote on salary packages of £100,000 or more. I was disappointed that, for 2012-13, not all authorities chose to articulate in their statement if this was being done. This should be made absolutely clear. In addition, those authorities who may not have senior posts over £100,000 should seek to achieve the same degree of openness and accountability by adopting a lower threshold for votes, appropriate to their local circumstances

- Full Council should also be given the opportunity to vote on severance payments over £100,000. Many believe that pay-offs to senior local government staff are excessive and too frequent. The Localism Act brings out into the open the approach taken to severance across the sector. There is a clear case for going further and ensuring that, as well as approving their authority's policy on severance, Members are able to consider each time it is proposed to spend local taxpayers' money on a large pay-off. This follows on from my announcement in November 2012 where I said that I intend to remove the costly and bureaucratic requirement for a designated independent person to investigate allegations of misconduct by senior officers from the Local Authorities (Standing Orders) (England) Regulations 2001. I am currently consulting with the Local Government Association and others on the draft regulations to give effect to these changes.
- Finally, our expectation would be that where councils have directly elected mayors, they would involve the directly elected mayor and have regard to any proposals the mayor may have before the statement is considered and approved.

In considering and approving their Council's pay policy statement, Members have an opportunity to demonstrate that they are seeking to protect the interests of local taxpayers. Ensuring that their authority follows the principles set out in this guidance will help Members to do so. In due course, I shall review how authorities have addressed these issues in their pay policy statements for 2013-14. If it appears that authorities are not following specific aspects of this guidance - and are therefore not achieving appropriate levels of openness and accountability in the setting of policies on pay and reward - I may take steps to require authorities to adopt particular policies.

A handwritten signature in blue ink that reads "Eric Pickles". The signature is written in a cursive, flowing style.

RT HON ERIC PICKLES MP



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FIREFIGHTING ROLES - PAY RATES FROM 1st JULY 2013

Basic hourly rate
£

Overtime rate
£

Basic annual
£

Firefighter

Trainee	21,583	9.86	14.79
Development	22,481	10.27	15.41
Competent	28,766	13.14	19.71

Crew Manager

Development	30,574	13.96	20.94
Competent	31,892	14.56	21.84

Watch Manager

Development	32,582	14.88	22.32
Competent A	33,487	15.29	22.94
Competent B	35,664	16.29	24.44

Station Manager

Development	37,096	16.94	25.41
Competent A	38,209	17.45	26.18
Competent B	40,915	18.68	28.02

Group Manager

Development	42,723	19.51	Not Applicable
Competent A	44,005	20.09	"
Competent B	47,361	21.63	"

Area Manager

Development	50,156	22.90	Not applicable
Competent A	51,660	23.59	"
Competent B	55,018	25.12	"

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FIREFIGHTING ROLES – PAY RATES FROM 1st JULY 2013

(RETAINED DUTY SYSTEM) (1) £ per annum	(2) £ per annum	(3) £ per Hour	(4) £ per occasion	
Firefighter				
Trainee	2,158	1,079	9.86	3.78
Development	2,248	1,124	10.27	3.78
Competent	2,877	1,438	13.14	3.78
Crew Manager				
Development	3,057	1,529	13.96	3.78
Competent	3,189	1,595	14.56	3.78
Watch Manager				
Development	3,258	1,629	14.88	3.78
Competent A	3,349	1,674	15.29	3.78
Competent B	3,566	1,783	16.29	3.78
Station Manager				
Development	3,710	1,855	16.94	3.78
Competent A	3,821	1,911	17.45	3.78
Competent B	4,092	2,046	18.68	3.78
Group Manager				
Development	4,272	2,136	19.51	3.78
Competent A	4,400	2,200	20.09	3.78
Competent B	4,736	2,368	21.63	3.78
Area Manager				
Development	5,016	2,508	22.90	3.78
Competent A	5,166	2,583	23.59	3.78
Competent B	5,502	2,751	25.12	3.78

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CONTROL SPECIFIC ROLES - PAY RATES FROM 1st JULY 2013

Basic annual £

Basic hourly rate
£

Overtime rate
£

Firefighter (Control)

Trainee	20,504	9.36	14.04
Development	21,357	9.75	14.63
Competent	27,328	12.48	18.72

Crew Manager (Control)

Development	29,045	13.26	19.89
Competent	30,297	13.83	20.75

Watch Manager (Control)

Development	30,953	14.13	21.20
Competent A	31,813	14.53	21.80
Competent B	33,881	15.47	23.21

Station Manager (Control)

Development	35,241	16.09	24.14
Competent A	36,299	16.57	24.86
Competent B	38,869	17.75	26.63

Group Manager (Control)

Development	40,587	18.53	Not applicable
Competent A	41,805	19.09	"
Competent B	44,993	20.54	"

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NON-OPERATIONAL STAFF - PAY RATES FROM 1st JULY 2013
 £ per annum

Fire Control Operator equivalent

During first six months	18,381
After six months and during 2 nd year	19,195
During 3 rd year	20,108
During 4 th year	21,097
During 5 th year	22,977
Leading Fire Control Operator equivalent	24606

Senior Fire Control Operator equivalent

During 1 st year in rank	25,238
During 2 nd year in rank	26,194

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Annex B - Local "Green Book" Pay scales with effect July 1 2013

Support Staff - Green Book

Scale Descriptor	Pre 01/07/13	WEF 01/07/2013	Incremental Point
Scale 1	£16,940.00	£17,110.00	1
	£17,674.00	£17,851.00	2
	£18,440.00	£18,625.00	3
Scale 2	£20,009.00	£20,210.00	4
	£20,377.00	£20,581.00	5
	£20,746.00	£20,954.00	6
Scale 3	£21,856.00	£22,075.00	7
	£22,347.00	£22,571.00	8
	£22,838.00	£23,067.00	9
Scale 4	£23,970.00	£24,210.00	10
	£24,315.00	£24,559.00	11
	£24,799.00	£25,047.00	12
Scale 5	£26,186.00	£26,448.00	13
	£26,657.00	£26,924.00	14
	£27,287.00	£27,560.00	15
Scale 6	£29,832.00	£30,131.00	16
	£30,646.00	£30,953.00	17
	£31,471.00	£31,786.00	18
Scale 7	£36,908.00	£37,278.00	19
	£37,843.00	£38,222.00	20
	£38,924.00	£39,314.00	21
Scale 8	£43,510.00	£43,946.00	22
	£44,707.00	£45,155.00	23
	£45,898.00	£46,357.00	24
Scale 9	£53,361.00	£53,895.00	25
	£54,691.00	£55,238.00	26
	£56,168.00	£56,730.00	27

Cleaners - Green Book

Clean HQ	£11,321 (Adjusted to £11,942.40 to comply with Minimum Wage wef 01/10/12)	£12062 (Adjusted to £12,173.88 to comply with Minimum Wage wef 01/10/13)	
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Fleet Management - Green Book

	£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 - Green Book

	£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 - Green Book

	£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
NATIONAL MIMUM WAGE RATES IF APPLICABLE - EFFECTIVE 01/10/13			
Apprentice	£2.65 per hour	£2.68 per hour	
Under 18	£3.68 per hour	£3.72 per hour	
18 - 20	£4.98 per hour	£5.03 per hour	
21 and over	£6.19 per hour	£6.31 per hour	

**BUCKINGHAMSHIRE & MILTON KEYNES FIRE
AUTHORITY**

**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:

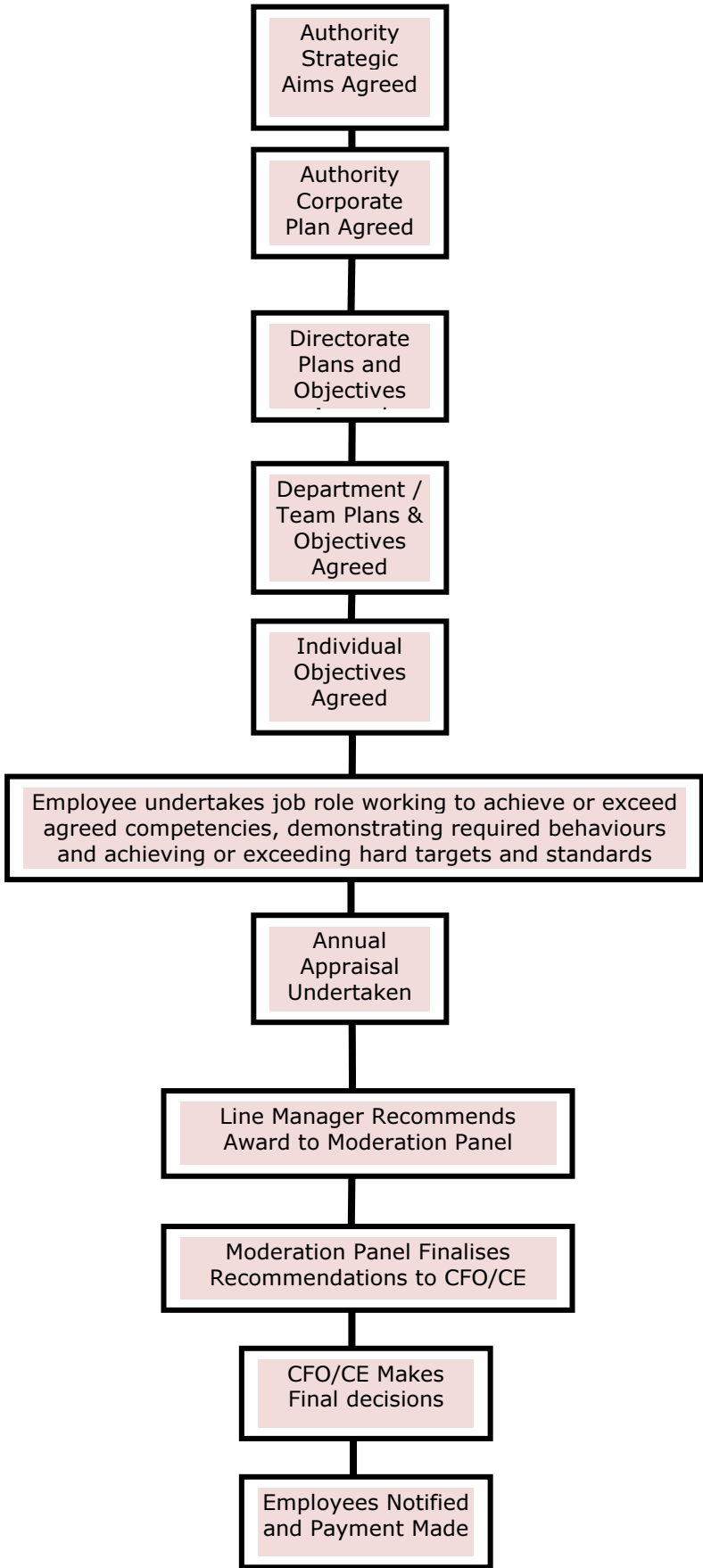
- The Scheme is entirely discretionary and forms no part of the contract of employment
- The Scheme sits in the context of the authority's overall strategic and performance management processes, therefore targets and objectives included in any scheme will align with the Corporate and Public Safety Plan 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
- 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 Human Resources Sub Committee will receive an annual report summarising the awards, if any, that have been made
- Eligibility criteria will be approved by SMT 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.

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



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Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	5 February 2014
OFFICER	Lynne Swift, Director People and Organisational Development
LEAD MEMBER	Councillor Roger Reed
SUBJECT OF THE REPORT	Remuneration and Performance Review
EXECUTIVE SUMMARY	<p>This report sets out recommendations for members' consideration on senior management pay and remuneration for the 2012 and 2013 annual reviews. Appendix 1 sets out the Senior Management Team Pay Review Methodology.</p> <p>The review process should take place annually in the autumn with any changes approved by the full authority generally effective from the following 1 January. However the 2012 review was deferred to accommodate a senior management restructure which further reduced the number of principal officers. Initially the HR Sub Committee at its meeting on 16 January 2013 deferred the 2012 review to commence February 2013, however, owing to changes to member composition this was further deferred until after summer 2013.</p> <p>Senior Management Team members are contracted under National Joint Council for Brigade Managers of Fire and Rescue Constitution and Scheme of Conditions of Service; known as the "Gold Book", for pay purposes. The "Gold Book" sets a two track approach for determining levels of pay as outlined in the background section of this report and detailed in Appendix 2.</p> <p>For 2012 and 2013 fire fighters under the National Joint Council NJC for Local Authority Fire and Rescue Services Scheme of Conditions of Service 2004, known as the "Grey Book" received a 1% pay award.</p> <p>For 2013 staff under the Buckinghamshire and Milton Keynes Fire Authority scheme of conditions of service, April 1997 incorporated, known as the "Green Book" were recently awarded a 1% pay award, backdated to July 1 2013.</p> <p>Appendix 3 of this report sets out the Authority's performance and comparisons with other Fire and</p>

	Rescue Services based on CLG and CIPFA data.
ACTION	Decision
RECOMMENDATIONS	<p>It is recommended that the Executive Committee:</p> <ol style="list-style-type: none"> 1. Approve the amendments to the Senior Management Team Pay Review Methodology as set out in Appendix 4 2. Delegate authority to the CFO/CEO to negotiate amendments to employment contracts of the Heads of Service Delivery so that "Gold Book" methodology be applied in respect of salary. 3. Apply a 1% pay award for SMT members as an outcome of the 2013 review. 4. Apply a 1% pay award to eligible SMT members under the 2012 review. 5. Approve the proposals as set out in Appendix 5
RISK MANAGEMENT	There are no risks to the delivery of the Authority's functions.
FINANCIAL IMPLICATIONS	<p>The costs of implementing recommendation 3 and 4 are c£29k in total, which will now be factored into the MTFP subject to member approval.</p> <p>For members information the year-end outturn positions before movements to and from reserves in the years being considered have been:</p> <ul style="list-style-type: none"> • 2011/12 c£1,800k favourable variance • 2012/13 c£873k favourable variance • 2013/14 c£1,300 favourable variance (current forecast)
LEGAL IMPLICATIONS	The terms of reference of the Executive Committee include the role of the employer in connection with employees of the Authority contracted in whole or in part to the "Gold Book". The recommendations are consistent with the Authority's extant statutory pay policy statement
HEALTH AND SAFETY	There is no impact.
EQUALITY AND DIVERSITY	A People Impact Assessment has been completed and there are no equality and diversity issues arising from this report.
USE OF RESOURCES	<p>The senior management team are collectively and individually responsible for delivering the corporate plan and the Authority's objectives.</p> <p>Performance of SMT members is regularly appraised either by the CFO/CEO or Chairman supported by Lead</p>

	<p>members where appropriate.</p> <p>The Authority’s Pay Policy, Part 2 section 24, and the methodology described in Appendix 1, allow for Authority consideration of one-off bonus payments linked to evidenced and scrutinised delivery of performance management objectives.</p> <p>Whilst SMT members have been invited to contribute with evidence to demonstrate performance improvements officers have been not been and will not be party to any decision making in relation to their own remuneration.</p> <p>Performance and Benchmarking Data</p> <p>In determining any changes to local pay, the methodology requires members to weigh various types of qualitative and quantitative data. This section of the report includes a summary of the data.</p> <ol style="list-style-type: none"> 1. Information about the extent to which corporate objectives have been met. 2. Chief Fire Officer/Chief Executive appraisal data as provided by the Chairman 3. Senior Management Team appraisal data as provided by the Chief Fire Officer/Chief Executive 4. Progress on any specific projects that members had identified as high priority 5. Comparative performance data with other Fire Services 6. Salary benchmarking data in relation to Senior Management Team salaries for Group 2, Combined South East Region Fire Services 7. Financial Data about budget provision for pay/reward costs arising from this review. 8. Data about national pay settlements awarded to Gold, Green and Grey book employees 9. Performance Data provided by the Chief Fire Officer (following discussions with the Senior Management Team).
<p>PROVENANCE SECTION & BACKGROUND PAPERS</p>	<p>Background</p> <p>SMT members are contracted under NJC negotiated “Gold Book” conditions for pay purposes. This involves a two-track approach for determining levels of pay;</p> <ul style="list-style-type: none"> • National Pay - At national level, the NJC annually reviews the level of pay increase applicable to Principal Officers. Any increase is effective from the usual annual settlement date 1st January. There has not been a national pay increase for Senior Managers since 2009.

	<ul style="list-style-type: none"> Local Pay - The NJC agreement also requires Fire and Rescue Authorities to review Principal Officers' salary levels on an annual basis. The Authority's Senior Management Team Pay Review Methodology was approved by HR Sub Committee on 16 January 2013. The methodology is attached at Appendix 1. <p>Remuneration principles are part of the Authority's current Pay Policy Statement 2013/2014 and more recently more specific principles were agreed by the Executive Committee on 20 November 2013 in relation to "Green Book" pay. The principle of self-funding linked to savings and performance is central.</p> <p>The methodology (Appendix 1) recognises that there are a range of pay and non-pay options for members to consider which include attending development opportunities, incorporated salary rises, non-incorporated bonuses, pay agreements that span a number of years and no change to existing reward packages.</p> <p>The National award for "Grey Book" was 1% in 2012 and 1% for 2013.</p> <p>National "Green book" pay award for 2013 was 1%.</p> <p>Rationale to Support Recommendation</p> <ul style="list-style-type: none"> The members of the Senior Management Team are the only part of the workforce not to have received an annual pay award for 2013. Most members of SMT did not receive a pay award for 2012, although those who were conditioned to other conditions prior to coming into their current roles may have. It seems timely for members to consider the issue of senior officer remuneration levels. Senior Fire Officers have suffered a disproportional requirement for increased pension contributions under the changes to the firefighter's pension Scheme. For example, a Firefighters Contribution rate has increased from 11% to 14.2% (April 2014) whilst for the CFO, over the same period, the CFO's contributions have increased from 11% to 17% in April 2014. <p>Minute of the meeting of the HUMAN RESOURCES SUB-COMMITTEE of the EXECUTIVE COMMITTEE of BUCKINGHAMSHIRE AND MILTON KEYNES FIRE</p>
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	<p>AUTHORITY WEDNESDAY 16 JANUARY 2013 http://www.bucksfire.gov.uk/BucksFire/How+we+make+decisions/Minutes+and+Meetings/2013/HR+meetings+2013.htm</p> <p>Minutes of the meeting of the HUMAN RESOURCES SUB-COMMITTEE of the EXECUTIVE COMMITTEE of BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY WEDNESDAY 18 JANUARY 2012 http://www.bucksfire.gov.uk/NR/rdonlyres/D9159267-69D5-4CAA-8A21-7D89F27DED6B/0/080812HR.pdf</p> <p>ITEM 7(a) FULL AUTHORITY of BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY WEDNESDAY FEBRUARY 13 2013 http://www.bucksfire.gov.uk/NR/rdonlyres/99BE21DF-99EB-42E2-A9C7-8846A6E3F112/0/BMKFA13022013.pdf</p> <p>ITEM 6 EXECUTIVE COMMITTEE MEETING of BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY WEDNESDAY NOVEMBER 20 2013 Review of support staff (local 'Green Book') terms and conditions of service and pay, grading and reward structure</p>
<p>APPENDICES</p>	<p>Appendix 1: Senior Management Team Pay Review Methodology Appendix 2: Gold Book Guidance (2006 Fifth Edition) Appendix 3: BMKFA Performance data Appendix 4: Revised Senior Management Team Pay Review Methodology Appendix 5: Remuneration and Performance</p>
<p>TIME REQUIRED</p>	<p>10 Minutes</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Claire Williams MSc FCIPD Strudel HR Mobile: 07906 139490 Email: claire@strudelhr.co.uk</p>

**HUMAN RESOURCES
SUB-COMMITTEE****16 Jan 2013****Senior Management Team Pay Review Methodology**

This methodology is designed to provide a mechanism for the implementation of the Senior Officers Remuneration Procedure, in accordance with the Gold Book.

Overview

A working group of at least two members of the Human Resources Sub-Committee (including the Chairman) and the Chairman of the Overview and Audit Committee will meet annually to consider relevant data and make recommendations to the autumn meeting of the Human Resources Sub-Committee. This will then be put forward as a recommendation to full Authority, who will consider it in the context of the approved policy statement.

The salaries for the posts of Chief Fire Officer, Chief Operating Officer Directors People and Organisational Development, Director Legal and Governance and Director Finance and Assets will be considered as part of this process.

Changes will generally be effective from 1st January.

In their deliberations, Members will be mindful of the wider economic context and the current national pay restraints. The outcomes of the Hutton Review of Fair Pay in the Public Sector will also be considered.

Any costs arising from the application of this methodology will be self-funded through savings (full or part) on the Senior Management Team budget and will not impact on the finance available for other Buckinghamshire and Milton Keynes Fire and Rescue Service staffing budgets.

Objectives

The purpose of the review is to ensure that the Fire Authority motivates Senior Management Team to:

- Stimulate greater effectiveness
- Expedite the Corporate plan
- Drive culture change by providing an acceptable level of reward which is recognised as fair, given local and national perspectives.

Range of Possible Outcomes

The working group may choose to make a range of recommendations

Senior Management Team Pay Review Methodology – Current Methodology

including:

- Non-pay rewards (such as attending development opportunities)
- Pay increases that are incorporated into salaries
- Non-incorporated bonuses
- Pay agreements that span more than one year
- No change to existing reward arrangements

Process

1. An external consultant will be engaged to gather relevant information and prepare a report for presentation to the Members' sub-group. The report with recommendations, will address qualitative and quantitative data which may include:
 - Information about the extent to which corporate objectives have been met (as provided by the Performance Intelligence Unit Manager).
 - Chief Fire Officer appraisal data as provided by the Chairman.
 - Senior Management Team appraisal data as provided by the Chief Fire Officer.
 - Progress on any specific projects that Members had identified as high priority.
 - Performance data provided by the Chief Fire Officer (following discussions with the Senior Management Team).
 - Comparative performance data with other Fire services.
 - Salary benchmarking data in relation to Senior Management Team salaries for Group 2, Combined South East Region Fire Services.
 - Financial data about budget provision for pay/reward costs arising from this review.
 - Data about the national pay settlements awarded to Gold, Green and Grey book employees.

From 31 March 2012, these points will be considered within the context of the approved policy statement as set by the Authority.

2. Working group members meet to analyse and discuss the report, and determine their recommendation to Human Resources Sub-Committee.

3. The external consultant prepares the report to committee setting out the sub-group recommendation, and the justification for the recommendation.

This report forms the audit trail for any pay/benefits adjustments.

4. The report will be presented to Members at the autumn meeting of the Human Resources Sub-Committee and then to the full Fire Authority.
5. Any appeals will be dealt with through the Buckinghamshire and Milton Keynes Fire Authority Grievance Procedure.

**Implementation of a local salary structure
(Extract from the "Gold Book "2006 Fifth Edition)****Guidance****Introduction**

1. Both the employers and Brigade Managers recognise the importance of applying the appropriate skills and developing the competencies necessary to support and embed the cultural change inherent within these new terms and conditions.

Local salary structures

2. When determining the appropriate level of salaries for all brigade managers, the fire and rescue authority should refer to the relevant minimum salary of the Chief Fire Officer and the most relevant benchmark data.
3. Normally the fire and rescue authority will wish to begin by determining appropriate salary for their most senior manager.
4. When deciding how these posts should be remunerated the following factors are to be considered:
 - a. The Chief Fire Officer's salary and that of any senior staff not covered by the Scheme of Conditions of Service (Gold Book);
 - b. The relationship of current salary to the appropriate illustrative national benchmark;
 - c. Any special market considerations;
 - d. Any substantial local factors not common to fire and rescue authorities of similar type and size e.g. London weighting; complex local, regional or national responsibilities which bring added value
 - e. Comparative information to be supplied on request by the Joint Secretaries on salaries in other similar authorities;
 - f. Top management structures and size of management team compared to those of other fire and rescue authorities of similar type and size; and
 - g. The relative job size of each post, as objectively assessed through an appropriate job evaluation process or otherwise
 - h. Incident command responsibility and the requirement to provide operational cover within the employing authority and beyond

The process for setting salary levels should include consideration of the following criteria:

- Minimum salary levels for Chief Officers in relevant sized local authorities
- Market rates of pay for senior managers in a range of private and public sector organisations
- Evidence of recruitment and/or retention difficulties with existing minimum rates

There are a range of schemes and approaches available for authorities to use in assessing job size. To assist authorities, advice can be obtained from the Employers' Side Secretary of the NJC.

Workforce planning

5. Fire and rescue authorities should be regularly reviewing their future requirements for employees at all levels, implications for the organisational structure, including availability to cover operational needs and cross authority resilience requirements.

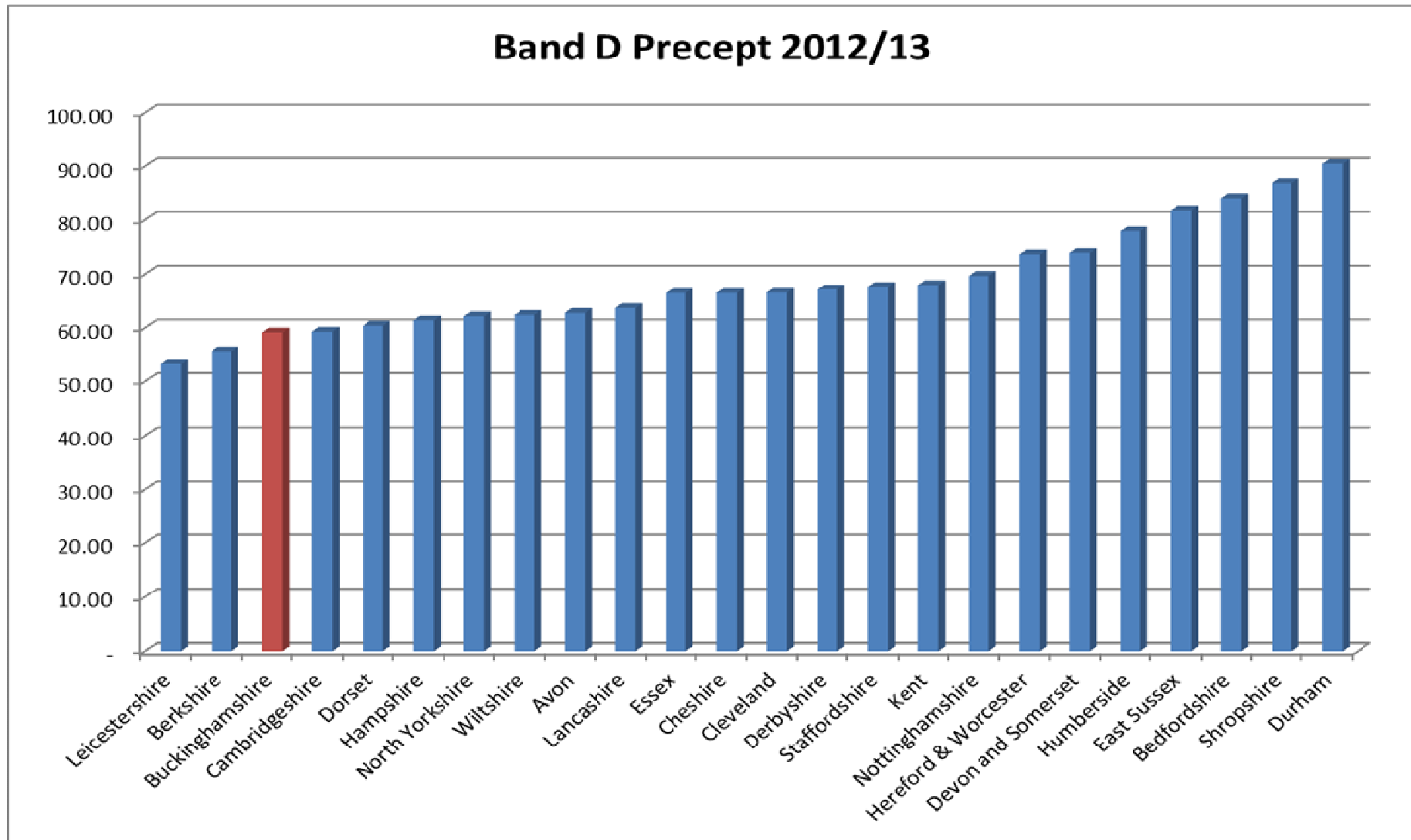
In determining the appropriate structure, Authorities need to be mindful of the potential for Brigade Managers to be absent for extended periods in the event of major civil disruption and the impact this will have on the organisation as a whole, and more specifically, on the remaining corporate team.

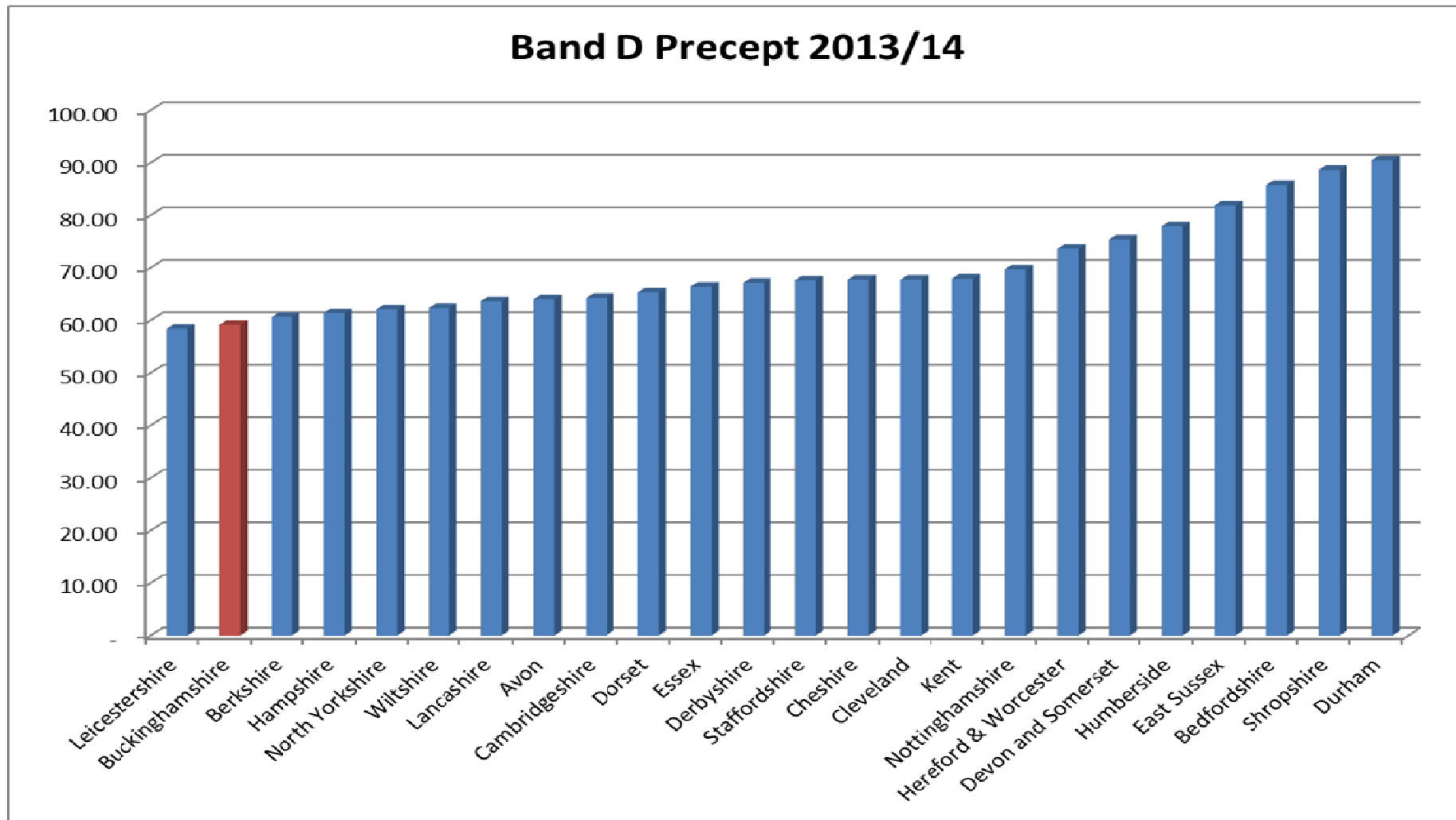
Authorities are reminded of the requirement to consult on any proposed changes. In addition, there may be a need to negotiate on some issues that may emerge from the consultation process e.g. a change to terms and conditions of employment

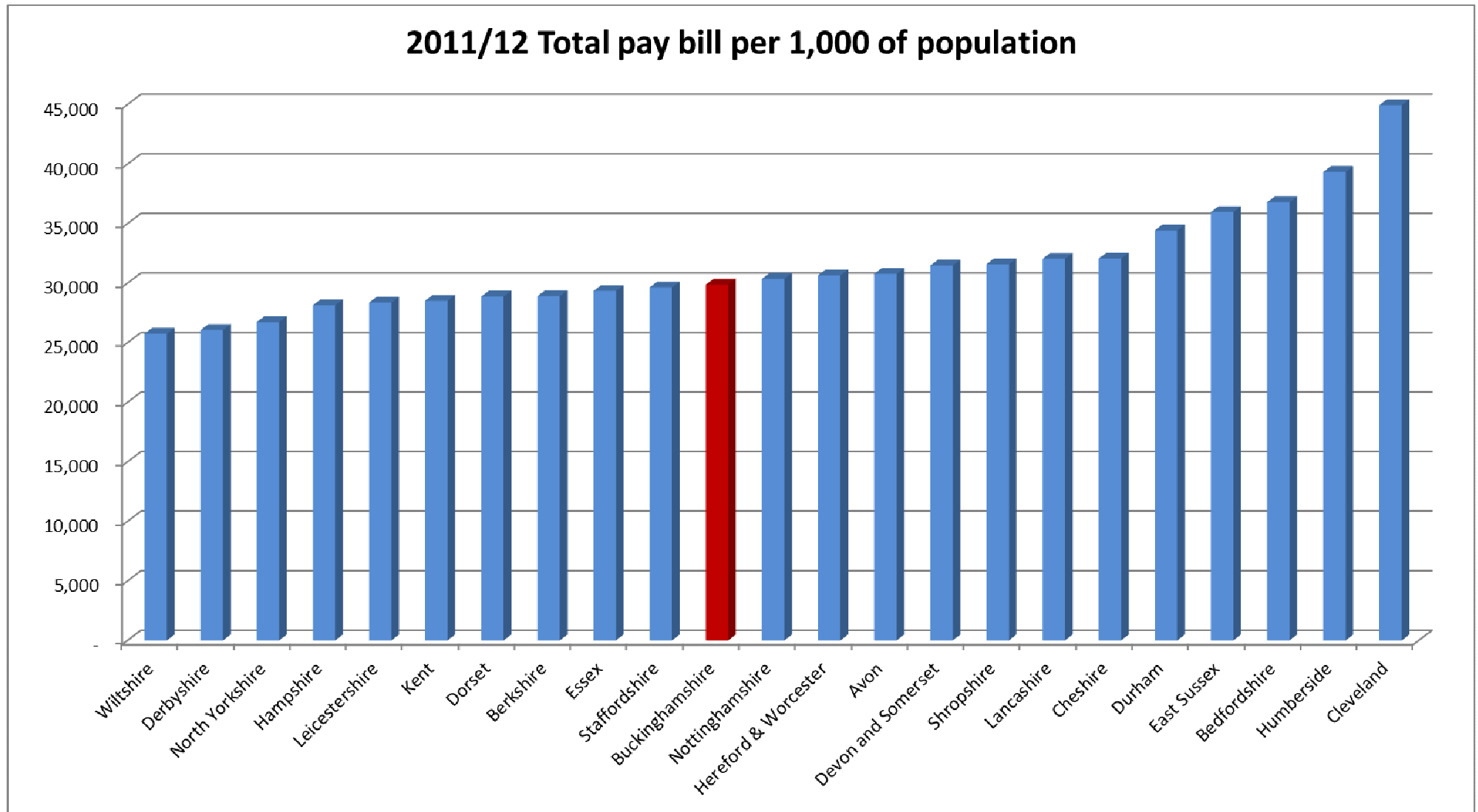
6. Where the changes to the organisational structure will lead to increases in the staffing complement, the authority will need to consider what the relevant grades will be and how best to recruit to the new posts in accordance with the Fairness and Dignity at Work policy.

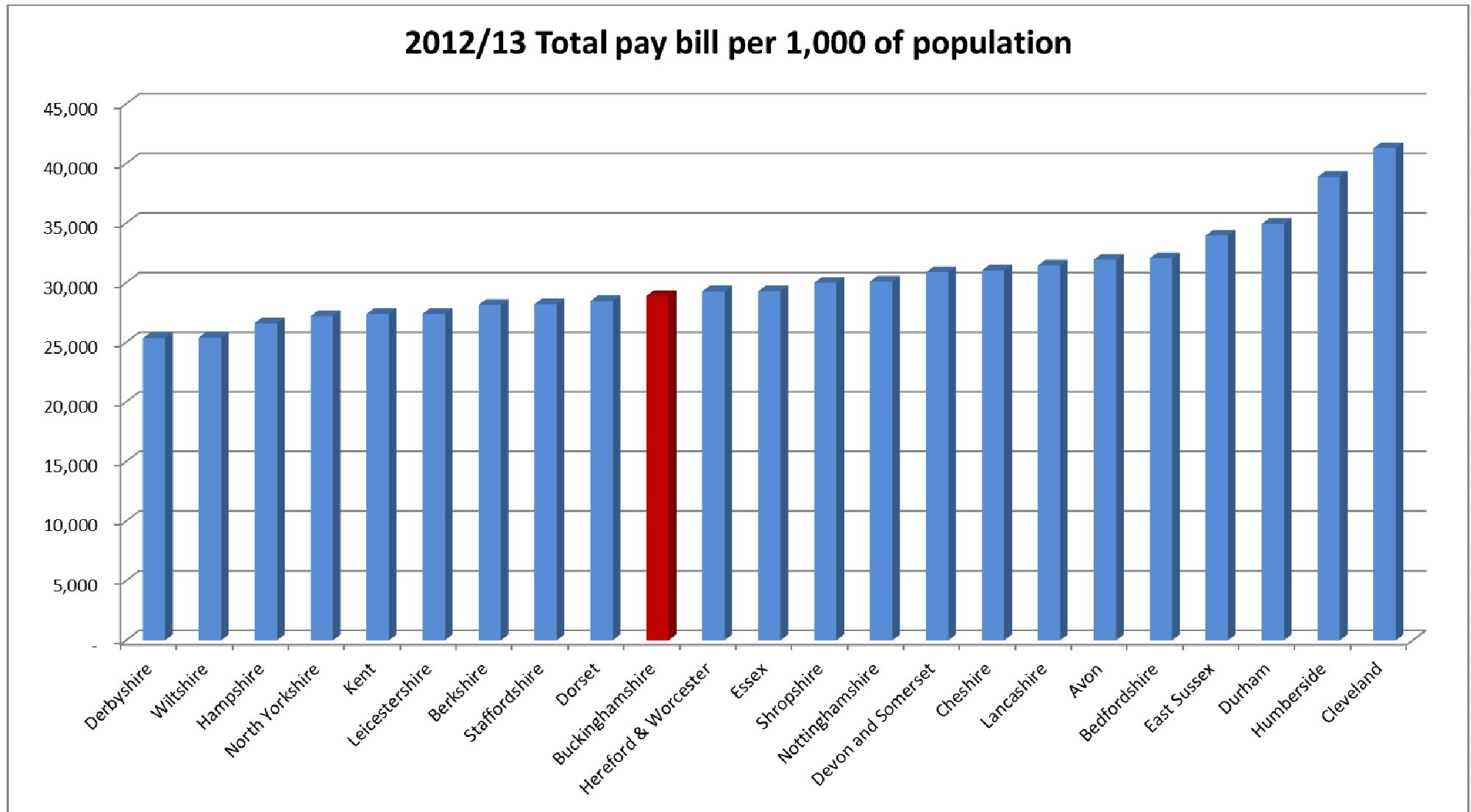
Where the changes to the organisational structure will lead to a reduction in the staffing complement, authorities should, as far as is practicable, achieve these through natural wastage, the use of temporary appointments or other arrangements to avoid the necessity of making individuals redundant.

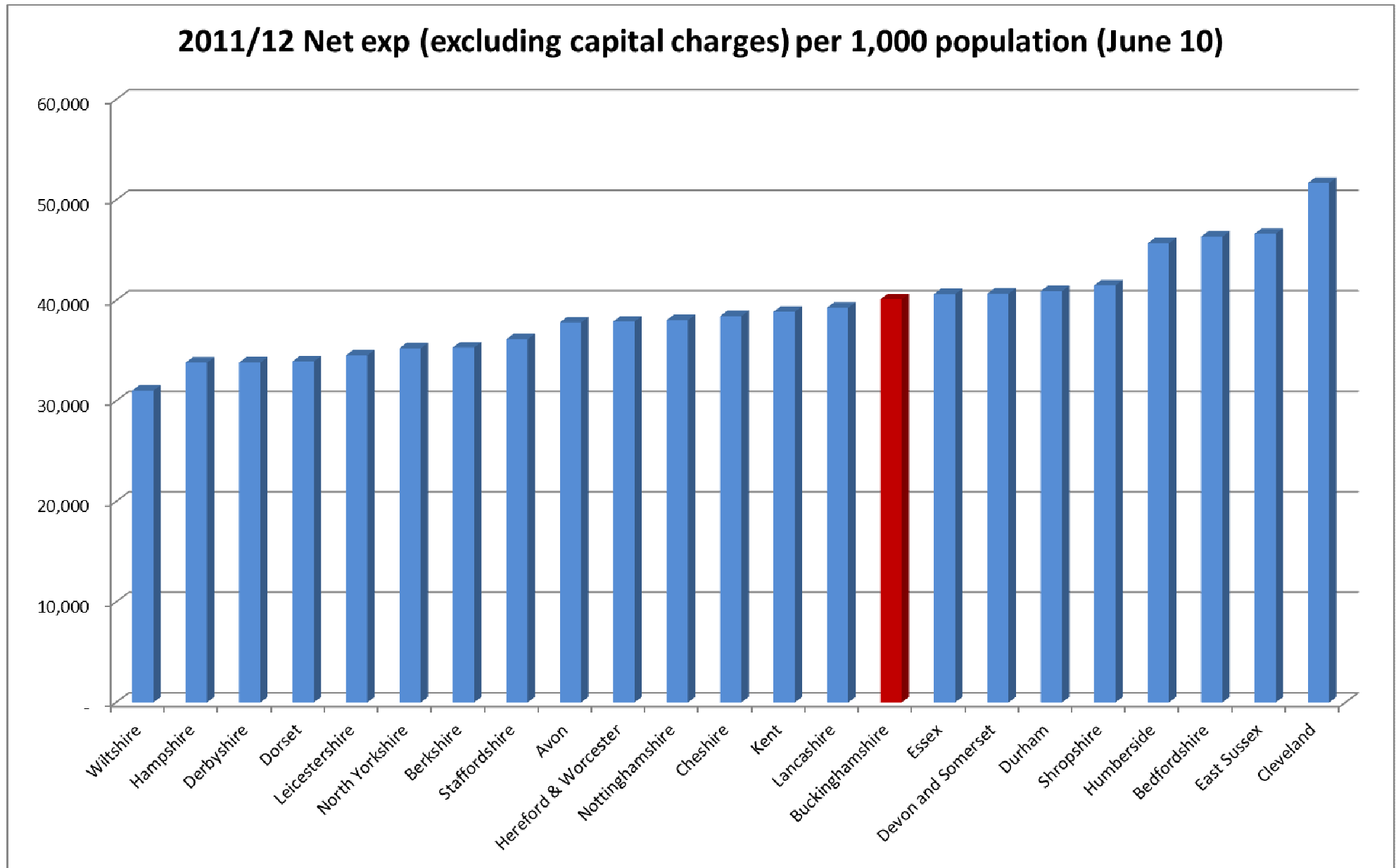
7. However, where this is not possible the fire and rescue authority should first seek volunteers for redundancy, where appropriate.
8. Where a Brigade Manager is moved from a higher graded/paid job to a lower graded/paid job, except by virtue of discipline or capability, the fire and rescue authority is recommended to put in place arrangements for pay protection taking into account:
 - a. Other pay protection and redundancy arrangements for employees of the fire and rescue authority.
 - b. Equal Opportunities Commission advice on pay protection and redundancy – protection arrangements can be discriminatory in certain circumstances
 - c. Any other local policies and issues
 - d. Pay protection and redundancy arrangements in other similar organisations
9. Where a Brigade Manager requests to move to a lower graded/paid post then they will receive the pay and conditions applicable to that post and protection arrangements will not apply.



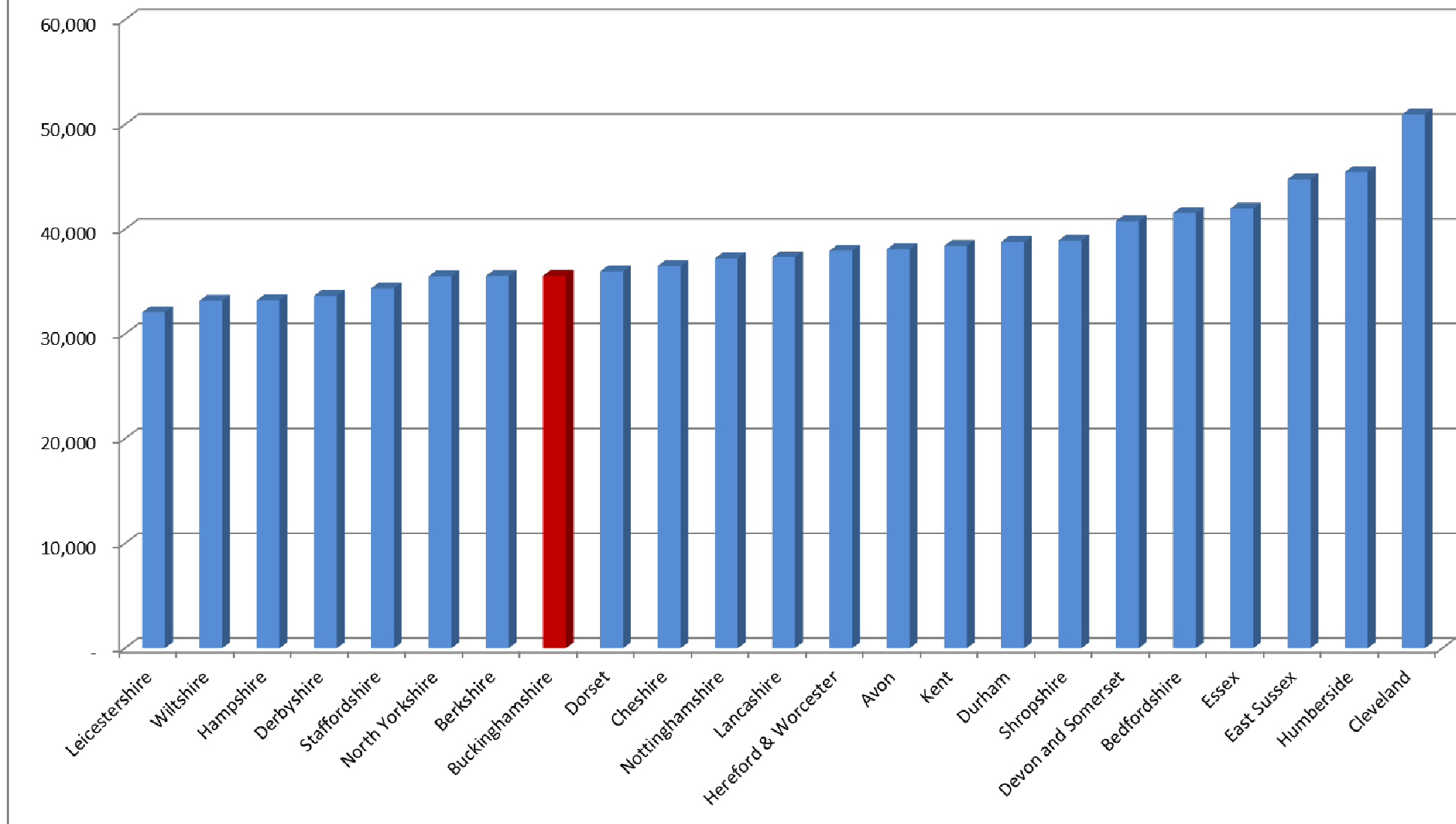




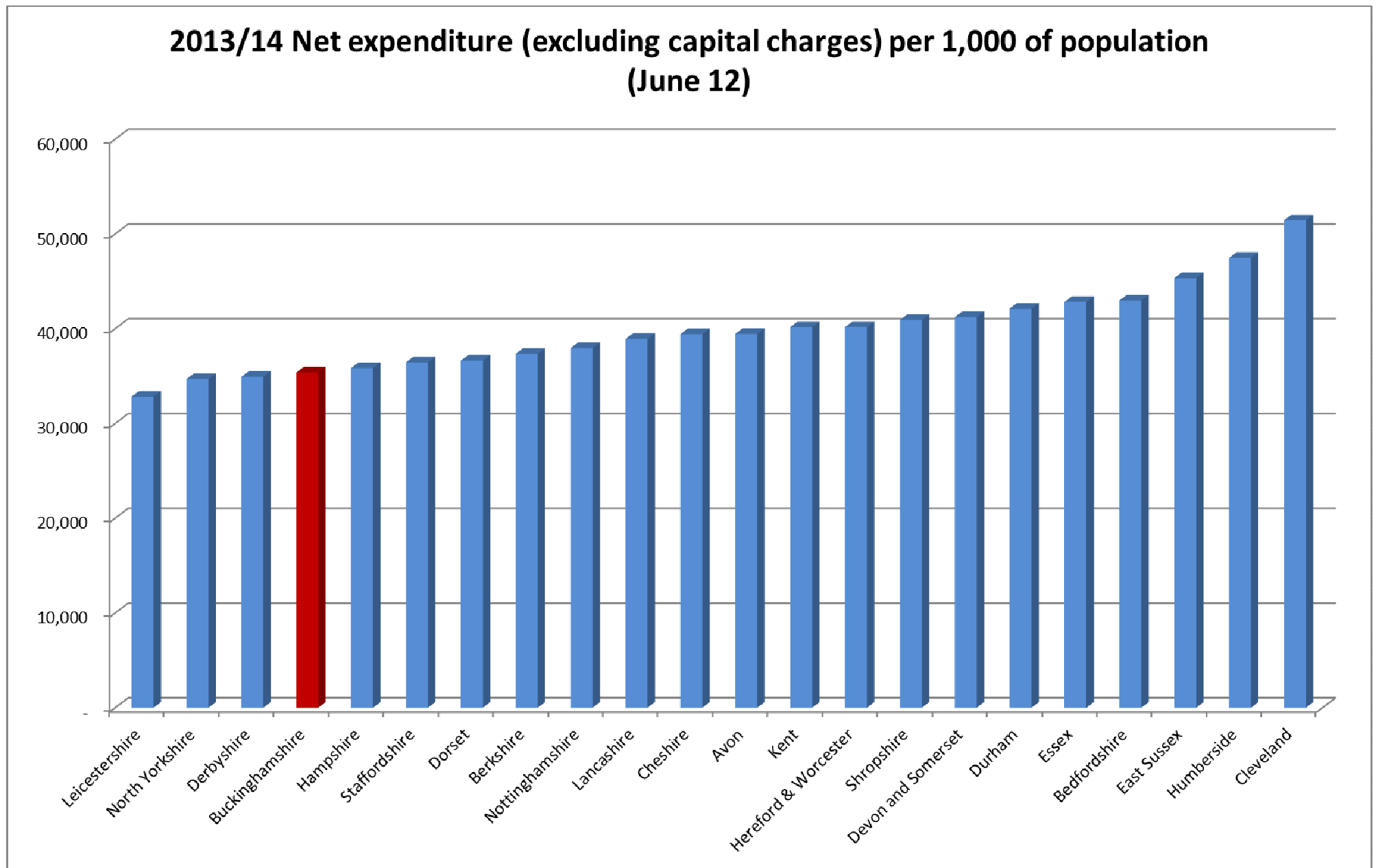




2012/13 Net expenditure (excluding capital charges) per 1,000 of population (June 12)



All information sourced from CIPFA Statistics for Fire and Rescue Services 2011/12 & 2012/13



All information sourced from CIPFA Statistics for Fire and Rescue Services 2011/12 & 2012/13

Executive Committee

5 Feb 2014

Senior Management Team Pay Review Methodology

This methodology is designed to provide a mechanism for the implementation of the Senior Officers Remuneration Procedure, in accordance with the Gold Book.

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The salaries for the posts of Chief Fire Officer, Chief Operating Officer Director People and Organisational Development, Director Legal and Governance, Director Finance and Assets **and Heads of Service Delivery** will be considered as part of this process.

Changes will generally be effective from 1st January.

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Any costs arising from the application of this methodology will be self-funded through savings (full or part) on the Senior Management Team budget and will not impact on the finance available for other Buckinghamshire and Milton Keynes Fire and Rescue Service staffing budgets.

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The purpose of the review is to ensure that the Fire Authority motivates Senior Management Team to:

- Stimulate greater effectiveness
- Expedite the Corporate plan
- Drive culture change by providing an acceptable level of reward which is recognised as fair, given local and national perspectives.

Range of Possible Outcomes

The working group may choose to make a range of recommendations including:

Revised Senior Management Team Pay Review Methodology

- Non-pay rewards (such as attending development opportunities)
- Pay increases that are incorporated into salaries
- Non-incorporated bonuses
- Pay agreements that span more than one year
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5. Any appeals will be dealt with through the Buckinghamshire and Milton Keynes Fire Authority Grievance Procedure.

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