Tyne and Wear Fire and Rescue Authority
Creating the Safest Community
www.twfire.gov.uk

This matter is being dealt with by:	Kate Cuthbert
Ext:	561 7881
Direct Line:	0191 561 7881
Your Ref:	
Our Ref:	KLC
Date:	13 March, 2013

Dear Councillor,

You are summoned to attend the Meeting of the Authority to be held in the Main Authority Room, Fire and Rescue Headquarters, Barmston Mere on Monday, 25th March, 2013 at 10.30 a.m. when it is proposed to transact the business set out below.

Yours sincerely,

D. Smith.

Dave Smith,
Clerk to the Authority

Please note a training session for all Councillors will be held at the conclusion of the meeting which will focus on the Day Crewing Station.

Contact: **Kate Cuthbert, Principal Governance Services Officer Tel: 0191 561 7881**
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Information contained within this agenda can be made available in other languages and formats.

AGENDA

PART I

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Joint Report of the Chief Fire Officer, Finance Officer, the Clerk to the Authority and the Personnel Advisor to the Authority (copy herewith)

9. **Correspondence List** 93

Local Government (Access to Information) (Variation) Order 2006

The reports contained in Part II of the Agenda are not for publication as the Authority is considered likely to exclude the public during consideration thereof as they contain information relating to any individual, which is likely to reveal the identity of an individual, the financial or business affairs of any particular person (including the Authority holding that information) or to consultations or negotiations in connection with labour relations matters arising between the Authority and employees of the Authority (Local Government Act 1972, Schedule 12A, Part I, Paragraphs 1, 2, 3 and 4). The public interest in maintaining this exemption outweighs the public interest in disclosing the information.

PART II

10. **Minutes**

(i) Minutes of the meeting of the Authority, Part II, held on 18 February, 2013 (copy herewith) for confirmation; and 95

(ii) Minutes of the meeting of the Human Resources Committee, Part II held on 11 February, 2013 (copy herewith) for information. 97

11. **Retirement of the Deputy Chief Fire Officer and Vacancy Selection Process** 101

Joint Report of the Chief Fire Officer, Finance Officer, Clerk to the Authority and Personnel Advisor to the Authority (copy herewith)

Item 3 (i)

Minutes of the Meeting of the TYNE AND WEAR FIRE AND RESCUE AUTHORITY held in the Fire and Rescue Service Headquarters, Barmston Mere on MONDAY 18 FEBRUARY 2013 at 10.30 am.

Present:

Councillor T. Wright in the Chair

Councillors Ahad, Bell, M. Forbes, N. Forbes, Gambling, Haley, Mole, Mortimer, Mulvenna, Padgett, Price and Renton.

Part I

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors McAtominey, Ord and Stephenson.

Declarations of Interest

Councillors Ahad, N. Forbes and Renton declared interests in relation to item 9, ''Transfer of Land at Gosforth'' as members of Newcastle City Council and withdrew from the meeting during consideration of the report.

Minutes

65. RESOLVED that:-

(i) the minutes of the meeting of the Authority, Part I held on 21 January, 2013 be confirmed and signed as a correct record, subject to the inclusion of Councillor Renton within the apologies for absence; and

(ii) the minutes of the meeting of the Policy and Performance Committee, Part I held on 28 January, 2013 be noted for information.

Revenue Budget 2013/2014

The Chief Fire Officer, Clerk to the Authority and the Finance Officer submitted a joint report to present for consideration and approval by Members:

- the Revenue Estimates for 2013/2014;
- the Authority's Council Tax Requirement for 2013/2014;
- the Precept required to be levied on the District Councils in Tyne and Wear for 2013/2014, and
- an updated Medium Term Financial Strategy Statement (for 2013/2014 to 2016/2017) as the resources position had now been updated in the light of information included within the Final Local Government Finance Settlement for 2013/2014.

The Finance Officer reminded members that he had provided detail of the Provisional Finance Settlement at the meeting in January and the Final Local Government Finance Settlement had now been received (issued on 4 February 2013). Whilst the document was extremely complex, there were only a few marginal changes from the Provisional Settlement and these had now been incorporated into the report as presented.

The Finance Officer reflected on the scenarios previously considered by Members and whilst the Final Settlement was close to the best case scenario, he explained that this was still an extremely challenging budget and the difficult outlook facing the Authority should not be underestimated.

The Final Settlement provided funding of £54.335m in total and represented a 5.50% cash reduction in funding of £3.154m to that received for 2012/2013.

The Finance Officer went on to say, that the Authority faced a reduction in funding from the new system of £2.684m or 8.70% in 2013/2014 after floor damping. If floor damping worth £2.463m had not been retained in 2013/2014, then the Authority would have faced greater cuts in funding of 16.56%, equivalent to a £5.147m reduction.

Members noted that this reiterated that the formula grant methodology which was used as the basis for the Authority's starting point in the new system, had retained most of its inherent unfairness and had further weakened the funding prospects of the Authority in future years as government would scale back its central share to achieve its public spending reduction targets.

Councillor N. Forbes commented upon the overall perspective of the Comprehensive Spending Review, in particular the way in which the share of formula grant had been seriously and unfairly under allocated within Tyne and Wear. He felt that what was even more concerning, was the position was far worse if the floor damping was to be removed. Therefore whilst the current year's budget was both sensible and robust, the magnitude of future years funding reductions should not be underestimated. He went on to say that as services may need to be reduced, detailed consideration would need to be given to how the Authority balanced service risk in times of diminishing resources. ACFO Brindle advised that this work was already underway.

Councillor P. Mole commented that he would welcome an impact analysis on different parts of the service, being submitted to a future meeting for consideration.

Councillor M. Forbes shared these views and asked whether any evidence could be produced to demonstrate the unfairness of the grant allocation in the form of benchmarking against authorities similar to Tyne and Wear in terms of size, deprivation etc. Councillor M. Forbes felt that this would be a useful way to support lobbying exercises which could be undertaken with all party support.

The Chief Fire Officer welcomed any lobbying undertaken and commented that lobbying within Metropolitan groups had recently had a positive impact in terms of some improvement and that Government had reduced funding allocated to other Metropolitan Authorities in a similar vein. The earlier scheduled Spending Review in 2013 would help establish whether this pattern was to continue.

Section 4.2 of the report showed the total net budget reductions of £4.209m required in 2013/14 which were in addition to the £1.733m of budget reductions already made in setting the 2012/2013 revenue budget.

The Authority had undertaken numerous actions from its IRMP and significant savings of £4.043m had been achieved to help balance the budget in 2013/14. Other efficiencies had also been identified for the year which totalled £0.166m although Members acknowledged that there was still much work to be done in meeting future years continued grant reductions.

Projected savings of £1.112m had already been identified within further IRMP actions and additional savings were also anticipated for 2014/2015 which would address the projected shortfall of £1.619m. Members were referred to the MTFS, at Appendix F of the report, for further detail in relation to projected future years budgets. This now included the updated resources position from the final 2013/14 and 2014/15 indicative finance settlements.

Members noted the significant further savings required to deliver the much reduced budget in forthcoming years. In addition, they acknowledged that that this may unavoidably impact on front line services as the continuation of funding cuts year on year adversely impact upon the Authority's budget.

The Finance Officer referred to the balances and reserves and reminded that whilst this was a positive position for the Authority, reserves were fully earmarked and were being accessed where appropriate and one-off use of these funds was not a permanent solution to budget cuts.

Taking all of the above into account, the Authority was proposing a revenue budget for 2013/2014 of £53,329,846 and a Council Tax Requirement of £19,009,455.

The Authority was asked to be mindful that the Chancellor had confirmed that public sector cuts would now extend to include 2017/2018 and the next Spending Review would be released in the summer which would cover 2015/2016 to 2018/2019 period.

With regards to precept levels, the Council Tax Base for 2013/2014 was 259,834 and the net deficit on Local Authority Collection Funds passported to the Authority was £67,745. The Authority's local share of business rates totalled £4,015,610. Taking this into account, the Authority would be able to freeze Council Tax in 2013/2014 at the same level as 2012/2013. This would result in a 'basic' Band D Council Tax for 2013/2014 remaining at £73.16.

Councillor N Forbes clarified the position in relation to the Collection Fund deficit by explaining that this was due to a higher than expected number of students within Newcastle living in rented properties.

The Finance Officer acknowledged this and added that the new Local Council Tax Benefit Schemes (like the new Business Rates system) were likely to be challenging therefore Collection fund positions would be closely monitored as figures would directly affect the Authority's budget in future years.

The Chair, on behalf of the Authority, expressed his thanks to both Members and Officers for their continued hard work throughout challenging times.

66. RESOLVED that:-

(i) the revised estimate for 2012/2013 be noted, as summarised at Appendix A of the report;

(ii) the proposed Revenue Estimates for 2013/2014 be approved, as summarised at Appendix A of the report;

(iii) the Projected Pensions Account 2013/2014 detailed at Appendix B of the report, be noted;

(iv) the position on general and earmarked balances and reserves, the associated risks and their mitigation as outlined at Appendices C, D and E of the report be noted;

(v) the updated Medium Term Financial Strategy Statement for 2013/2014 to 2016/2017 detailed at Appendix F of the report, be noted;

(vi) the Council Tax base of 259,834 (known as Item T) for the year 2013/2014 be noted, as notified by the billing authorities within Tyne and Wear in accordance with current regulations;

(vii) the acceptance of the Council Tax Freeze Grant and a Council Tax freeze for 2013/2014 be approved;

(viii) the following amounts for the Authority for the year 2013/2014 which represents a Council Tax freeze for 2013/2014 be approved, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992 as amended:

(i)	£65,181,622	- being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(2)(a) to (d) of the Act;
(ii)	£46,172,167	- being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(3)(a) to (b) adjusted for item of the Act;
(iii)	£19,009,455	- being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 42A(4) of the Act, as its Council Tax Requirement for the year, Item R in the formula in Section 42B of the Act;
(iv)	£73.1600	- being the amount at (iii) (Item R) above divided by the Council Tax Base (Item T), calculated by the Authority in accordance with Section 42B(1) of the Act, as the basic amount of its Council Tax for the year.

(v) **Valuation Bands**

	£	
A	**48.7733**	being the amount given by multiplying the amount at (iv) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation and divided by the number which that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority in accordance with Section 47(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.
B	**56.9022**	
C	**65.0311**	
D	**73.1600**	
E	**89.4178**	
F	**105.6756**	
G	**121.9333**	
H	**146.3200**	

(ix) under Section 52ZB of the Local Government Finance Act, it be noted that the Authority's relevant basic amount of council tax for 2013/2014 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required).

(x) in accordance with Section 40 of the Local Government Finance Act 1992, the billing authorities within the area of this authority be issued with precepts in the amount of £19,009,455 for the financial year beginning 1st April 2013, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the 1992 Act.

Capital Programme 2013/2014 Including Prudential Indicators for 2013/2014 and 2015/2016

The Chief Fire Officer, Clerk to the Authority and the Finance Officer submitted a joint report to present to members the proposed Capital Programme for 2013/2014, including the Prudential Indicators for 2013/2014 to 2015/2016.

Members were referred to Appendix A of the report and noted that the Capital Programme and Vehicle Replacement Programme totalled £3,448,090.

In summary, £2,804,490 had been allocated to continuing projects and £447,600 to projects commencing in 2013/2014 and future years. The funding assigned to individual projects was included within Appendix A.

The Finance Officer advised that the Vehicle Replacement Programme had been reviewed and updated and totalled £196,000 for 2013/2014.

With regards to Treasury Management, there were no proposed changes to the approach currently adopted which was described as both prudent and robust and a more detailed report would be presented to the Authority in March.

Members were asked to approve the Prudential Indicators and set the Authorised Limit for External Debt at £55.383m and the Operational Boundary for External Debt at £50.383m for 2013/2014, detailed within Appendix B.

In addition to this, the report sought approval of the Annual Minimum Revenue Provision Statement, set out in Appendix 1.

67. RESOLVED that:-

(i) the Capital Programme and Vehicle Replacement Programme for 2013/2014, as set out in Appendix A, be approved;

(ii) the Prudential Indicators for the years 2013/2014 to 2015/2016 as set out in Appendix B, and specifically the Authorised Limit for External Debt of £55.383m and the Operational Boundary for External Debt of £50.383m for 2013/2014 be approved; and

(iii) the Annual Minimum Revenue Provision Statement set out in Section 2.12 of Appendix 1, be approved.

Fire and Rescue Services Efficiencies Review

The Chief Fire Officer submitted a report to brief Members on a recently announced national review of Fire and Rescue Service efficiencies.

Assistant Chief Fire Officer (ACFO) Brindle reminded Members that in December 2012, the Department for Communities and local Government (CLG) announced a national review of efficiencies and operational improvements in the delivery of Fire and Rescue services in England.

Sir Ken Knight had been commissioned to undertake the review, which would run for approximately three months and report in the Spring.

Members were advised that the review intended explore the detail around efficiencies, understand the thinking together with the options to go further. The aim of this being to promote greater transparency.

The report detailed the cross section of FRAs chosen to take part in the review and it was reported to Members that although Tyne and Wear did not feature in this selection, they had been invited to make a submission and intended to do so.

ACFO Brindle reminded Members that the Service was always open to, and already sought, ideas from colleagues to make its activities more efficient and effective. The findings of the review would be reported to members in due course.

Councillor Haley welcomed a submission from Tyne and Wear and commented that others could learn from the good practice within the service.

It was felt likely, that the generic findings from the review may be used to inform the Spending Review planned by Government for the Spring.

As a result of this, Councillor N. Forbes felt it imperative that the Authority include detail within its submission about being cautious of making sweeping generalisations across the board as different FRAs cover very different areas therefore sweeping generalisations may not always be appropriate.

Councillor M Forbes agreed and was hopeful that findings would be compartmentalised in order that expectations were not made that were inappropriate for their area.

The Chief Fire Officer explained that the findings would be analysed to determine whether or not they could suitably be applied to Tyne and Wear. Whilst welcoming the review, he did have concerns over the short timescale in which it was to be carried out and also hoped it was backed up with sufficient evidence. He did however feel that Tyne and Wear could benefit from this work.

68. RESOLVED that:-

(i) the contents of the report be noted; and
(ii) the outcome of the review be reported to the Authority in due course.

Integrated Risk Management Plan 2013-16

The Chief Fire Officer, Finance Officer and Clerk to the Authority submitted a joint report to present feedback from staff and representative bodies on the proposed Integrated Risk Management Plan (IRMP) reviews for 2013-16, and to seek Member approval to commence proposed reviews.

Assistant Chief Fire Officer (ACFO) Brindle reminded Members of the 5 additional actions approved in October 2012 covering the period 2013-16. The five actions included:-

- Review the fire cover response model
- Review Diversionary activities
- Build on staffing flexibility
- Review cleaning and catering
- Consider the business case for setting up a trading company

Feedback on proposals had been invited from staff and representative bodies. This was achieved via a series of presentations, including individual sessions with every watch which was felt to promote dialogue and ensure everyone had a chance to comment. A total of 29 responses were received which equated to a 45% response rate.

ACFO Brindle explained that overall, staff were well aware of the likely financial situation and the need to make further significant reductions in spending, however expected an opportunity for detailed consultation on any options which arose. Assurance was given that this would take place along with public consultation once options had been developed through the review process.

Verbatim comments were available for Members if they wished to examine them. The report summarised findings in relation to each of the proposals.

Members were advised that the review of the fire cover response model attracted much discussion and a number of responses mostly expressing concern. The review of diversionary activities attracted fewer comments and there was a general agreement that these activities should be reviewed.

ACFO Brindle went on to say that the building on staffing flexibility attracted the largest number of comments with many respondents supportive of the use of Swap a Shift which was felt to be effective in increasing flexibility without major shift pattern changes. All staff expressed a willingness to continue to work flexibly.

A number of comments were also received in relation to the review of cleaning and catering proposal and overall it was felt that this review needed to take place.

The potential for establishing a trading company generated significant debate and a number of comments in relation to this were received.

Members were then referred to section 5.1 of the report which set out a précis of comments from the Fire Brigades Union (FBU). Members noted that it was their professional opinion that should any reduction in the fire cover occur then TWFRS would be placing an intolerable burden upon supervisory managers and operational crews.

ACFO Brindle acknowledged that the FBU were keen to be further involved in the consultation process and this request had also been made by Members.

Councillor Mole expressed his gratitude to the FBU for forwarding their full report to members for information.

Councillor M. Forbes commented upon the difficulty in evaluating diversionary activities and asked what evidence in relation to assessing impact was available.

ACFO Brindle responded by advising that there was a close connection between diversionary activities and anti-social behaviour and positive evidence of schemes within this area, for example the Phoenix Project. This was however a specific cohort of people, therefore although a positive impact was seen it was often difficult to make broad evaluations and assumptions.

The Chief Fire Officer referred to the concerns raised about the number and type of appliances in particular the replacement of fire appliances with 4X4s or transit vans. The Chief Fire Officer explained that part of this fundamental review was to challenge the need for the use of larger appliances in situations where a smaller vehicle could be used to get to locations more quickly or even carry out more focused work.

69. RESOLVED that:-

(i) the five reviews set out in section 2.4 commence, with detailed timescales set by review leads;

(ii) in depth and detailed consultation be carried out with staff, the public and partners as appropriate during the review process (as agreed at Authority 15 October 2012); and

(iii) full reports be brought to members on each of the reviews so that decisions could be made on any specific proposals.

(Signed) T. WRIGHT
Chairman

Note:

The above minutes compromise those relating to items of business during which the meeting was open to the public.

Additional minutes in respect of other items are included in Part II.

Item 3 (ii)

HUMAN RESOURCES COMMITTEE

Minutes of the meeting of the HUMAN RESOURCES COMMITTEE held in the Fire and Rescue Headquarters, Barmston Mere, Sunderland on MONDAY 11 February 2013 at 10.30 am

Present:

Councillor Bell in the Chair

Councillors Haley, Stephenson, Mole, Mortimer, T Wright and Renton.

Part I

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillor Price.

Declarations of Interest

There were no declarations of interest.

Minutes

20. RESOLVED that the minutes of the Human Resources Committee held on 15 October 2012, Part I, be confirmed as a correct record.

Annual Equality Data Report and Equality Objectives Update

The Chief Fire Officer and the Personnel Advisor submitted a joint report providing Members with an update regarding the recent equality data refresh exercise undertaken to inform the 2013 Annual Equality Data Report, and to provide a progress update against the Authority's equality objectives, as set out in the Equality Strategy 2012-2016.

Area Manager Robson advised that the Authority published the Annual Equality Data Report 2013 by 31 January 2013 as was required under the Public Sector Equality Duty. A copy of the report was attached at Appendix A.

A further appendix was attached showing the progress that had been made towards the equality objectives since their publication in April 2011.

It was confirmed that progress had been made against many of the actions including those specifically relating to the Procurement objectives. Revised equality related content had been developed to improve the Procurement Strategy, and this was appended to the report at Appendix C.

Councillor Wright commented that it was evident the Authority continued to support the work around achieving equality objectives, and the report clearly demonstrated a clear commitment to equality for all.

The Chair commented that the report was very comprehensive, thorough and easy to understand. She stated that the positive progress shown in the report was testament to the Authority.

Councillor Mole commented that the document was satisfying to read. He stated that the Authority continued to be astute and was mindful that the rules around equality change regularly and are never complacent in this regard.

Councillor Mortimer commended the report.

Area Manager Robson thanked Members for their positive comments and assured the Committee that all of their compliments would be passed on to those that been involved.

21. RESOLVED to:-

(i) note the comments on the Annual Equality Data Report 2013;

(ii) note the progress made against equality objectives;

(iii) endorse revised equality related content for the Procurement Strategy; and

(iv) receive further reports as appropriate.

Review of the Secondary Employment and Pecuniary Interests Policy and Procedure

The Chief Fire Officer and the Personnel Advisory submitted a joint report informing Members of the results of the review, the associated consultation regarding the proposals and sought approval to implement the identified policy provisions.

Area Manager Robson advised that for grey book staff, access to the Secondary Employment scheme was derived from the Scheme of Conditions of Service of the National Joint Council for Local Authorities' Fire and Rescue Services, Part B, Paragraph 8, as follows: -

"An employee (other than one on the retained duty system) shall not hold any other office or employment for gain or reward or carry on any trade or business without the express permission of the fire and rescue authority, which may be granted subject to any restrictions or conditions the authority thinks fit".

Members were advised that the review had identified a number of changes to the policy and procedure in order to ensure an effective and efficient balance could be determined between the Authority, as an individual's primary employer, and any secondary employment an individual may wish to apply to undertake.

A list of the changes was included within the main body of the report.

The Chair commented that the procedure clearly defined the Authority's position which left employees in no doubt of what the rules were.

22. RESOLVED to: -

(i) note the content of the report;

(ii) approve the revised procedure; and

(iii) receive further reports as appropriate

Stonewall Workplace Equality Index 2013

The Chief Fire Officer and the Personnel Advisor submitted a joint report informing Members of the results of the Stonewall 2013 WEI and provided details of the Authority's standing in the index.

DCFO Hindmarch explained that the Authority continued to be committed to achieving equality of opportunity and removing discrimination or prejudice on any grounds including sexual orientation.

Members were advised that in the 2012 Index the Authority retained 60th place and was hailed the Top Fire and Rescue Service for equality. This was an equally impressive achievement as in 2012 there was a number of changes to the WEI.

This year was Stonewall's ninth WEI. It was confirmed that every year the Index was reviewed in terms of its design and scoring mechanism and participation had increased year on year making it an on-going challenge to attain a place in the Top 100 list.

In order to participate in the WEI, a comprehensive online questionnaire had to be submitted alongside supporting evidence to demonstrate how the Authority supported LGB equality both in the workplace and community.

The Chief Fire Officer was pleased to report that the Authority had seen substantial improvement in its position in the Index, and that it had moved up 32 places and being awarded 28th position. For the third consecutive year the Authority had also been awarded the prestigious title of Top Fire and Rescue Authority, and was recognised as the best performing Authority in the country in the equality field.

DCFO Hindmarch reported that Tyne and Wear Fire and Rescue Authority had worked alongside four other authorities in the fire sector to share best practice, and was pleased to announce that each of them had gained a higher position resulting in them now being in the Top 100 this year.

Councillor Wright stated that to have been awarded 28th position was an excellent achievement for the Authority, particularly as this had been recognised independently. He encouraged Members to look at the Top 100 organisations on the WEI, because it was interesting to see the big name companies that Tyne and Wear Fire and Rescue Service were up against.

The Chair stated that it was very pleasing to see that the hard work and commitment of the Authority be acknowledged by Stonewall and the four authorities that worked with the Authority.

Councillor Haley commented that 376 organisations had entered into the Stonewall WEI exercise which proved that it was hugely more popular than it had been in previous years. He also stated that to have mentored other authorities was impressive and commended the authority for this.

Councillor Mole on behalf of the Committee requested that thanks be expressed to the entire organisation for this great achievement.

23. RESOLVED to: -

(i) note the contents of the report;

(ii) congratulate the core team on the achievement; and

(iii) receive further reports as appropriate.

Equality Framework Update

The Chief Fire Officer and the Personnel Advisor submitted a joint report providing Members with an update on preparations for the Fire and Rescue Service (FRS) Equality Framework Peer Challenge, including details of the briefing process for challenge participants.

DCFO Hindmarch advised that the Peer Challenge would be the next biggest audit that the Authority was likely to face in relation to equality and that the Authority was currently towards to achieving ‘excellent’.

Rachael Beadle, the Equalities Advisor was introduced to the meeting and outlined the report. In doing so, she stated that the FRS Equality Framework was a bespoke framework designed to enable fire and rescue services to measure their performance in relation to equality. It had three levels, which were ‘developing’, ‘achieving’ and ‘excellent’.

Members were advised that in December 2009, the Authority migrated to the ‘working towards excellence’ level of the FRS Equality Framework. The Authority had been deemed to be performing above the ‘Achieving’ level, however a formal assessment was required to confirm it was working at the ‘excellence’ level.

The Equalities Advisor confirmed that at present the Authority was in the process of preparing for an Equality Peer Challenge at ‘excellent’, scheduled for 26-28 March 2013.

Members were advised that in August 2012 the Authority undertook a mock challenge and recommendations had been taken on board and progressed to further prepare for the formal challenge process.

Members of the Peer Challenge were detailed within the report and Committee Members were advised that the first stage of the process had been completed. This was to produce a narrative and self-assessment together with case studies which presented a case for ‘excellent’. Further supporting evidence was required to be sent to the Peer Challenge Team at the beginning on February 2013.

Members were advised that a briefing had been arranged to take place on 27 February 2013 at 10.00am.

Members commented that they were keen to attend the briefings and for those that couldn’t attend the scheduled dates were asked to inform the Authority.

24. RESOLVED to:

(i) note the contents of the report; and

(ii) receive further reports as appropriate

Firefighter Pension Scheme Consultations

The Chief Fire Officer and the Personnel Advisor submitted a joint report requesting Members to consider a proposed response to Government's consultation document which covered changes to the Firefighter's Pension Scheme (FPS) and the New Firefighter's Pension Scheme (NFPS).

Area Manager Robson outlined the report and in doing explained that following the review of public service pensions, at the Spending Review Government accepted Lord Hutton's rationale to increase employee pension contributions by 3.2% on average by 2014-2015. This was in order to make for a fairer balance between what employees paid and what other taxpayers had to pay.

In terms of the 2013-2014 contribution increases, Government had proposed that the employee contribution tariffs from 1 April 2013 should deliver a 1.28% increase, on average, across the two firefighter pension schemes. It was expected that this would lead to a cumulative 1.92% increase during 2012-2013 and 2013-2014.

The proposed employee contribution rates were outlined in the report according to firefighter pay bands together with Government responses to four questions that arose during some consultation.

The Chief Fire Officer was of the opinion that the various proposed changes to the pension schemes were both complex and highly sensitive with the potential to impact detrimentally on industrial relations.

Changes to pensionable pay, abatement rules and especially proposed increases in contribution were considered to be very sensitive issues. It was therefore considered essential that government, through a process of exhaustive and meaningful consultation, sought to find a mutually acceptable solution with regard to the issue.

Councillor Wright commented that an amendment was required to the final pay band figure contained within the proposed contribution rates table from £120,00 to £120,000.

The Chair commented that the issue was indeed complex and difficult from an employer perspective. Not only that, but she appreciated that this was also a very sensitive matter for employees of the Authority.

DCFO Hindmarch stated that a paper would be brought to the Human Resources Committee in due course in relation to these issues.

Councillor Haley in referring to the Opt Out Review section of the report enquired what numbers had opted out and how the numbers would be affected by auto-enrolment. In response, Area Manager Robson stated that the figures in relation to firefighter auto-enrolment pension schemes had not been determined yet and that the opting out figures were relatively low. However, it was confirmed that figures for the Local Government Pension Scheme under auto-enrolment were predicted to be that 60% would stick and 40% would opt out.

Councillor Haley stated that he would be interested to see some details in relation to firefighter pensions.

Councillor Wright commented he would expect opt outs to increase due to economic pressures and incomes remaining static.

In response to an enquiry from Councillor Wright regarding auto-enrolment it was confirmed that prior to this being implemented a staging date would be communicated to new and existing staff.

Councillor Renton enquired if the Authority provided pension advice to staff. DCFO Hindmarch responded stating that the Authority provided the relevant contact details to employees wishing to seek pension advise, as the Authority themselves did not specialise in that area.

The Personnel Advisor in attendance informed Members that the Authority must ensure to be very careful when providing information to employees regarding pensions, as it could not be seen to be assisting an individual to make a decision.

25. RESOLVED to:-

(i) note the contents of the report;

(ii) approve that the Chief Fire Officer submits a response to the consultation in line with the comments contained within the report; and

(iii) receive further reports as appropriate.

Better Health at Work Award

The Chief Fire Officer, the Clerk to the Authority, the Finance Officer and the Personnel Advisor submitted a joint report informing Members of the Better Health at Work Award scheme and the Authority's success to date.

Members were advised that the Better Health at Work Award was a North East regional scheme designed to encourage employers to improve the health of their employees. The award also recognised the achievements of the organisation in managing health at work.

DCFO Hindmarch stated that this was an excellent accreditation scheme. There were three levels, namely, Bronze, Silver and Gold with appropriate criteria to be met at each annual stage.

The aims of the Better Health at Work Award were outlined within the report.

Members were advised that in February 2011 the Authority was successful in achieving the Better Health at Work Bronze Award, and staff were determined to continue to make improvements in health provision for all employees.

The report outlined the ways in which the Silver Award built upon the basics of the Bronze Award and the steps the Authority had taken to address the imbalance.

Health Champions, made up of volunteers throughout the service had helped to promote and deliver health promotion initiatives. In January 2012 a meeting amongst the Health Champions was held and they developed the following:-

- February: Healthy Eating
- May Cancer: Awareness
- June Blood: Donor Day
- September: “Know Your Numbers”
- November: “Movember” (Prostate Cancer Awareness).

The Chief Fire Officer was pleased to announce that the Authority had been successful in gaining the Better Health at Work Silver Award.

The Chief Fire Officer maintained that entering the Silver Award had initiated a shared sense of ownership for developing health promotion by involving the Health Champions at each location, and that the health education aspect of the campaign along with the health promotion activities supported and enhanced positive lifestyle changes for all participants.

Councillor Wright highly commended the report and concurred with the Chief Fire Officer’s comments that the efforts described demonstrated the Authority’s commitment to the health and wellbeing of the workforce.

The Chair commented that this was another excellent news story and requested that the Committee Member’s thanks be passed onto all those involved.

26. RESOLVED to:-

(i) note the contents of the report;

(ii) endorse the actions of the Chief Fire Officer;

(iii) Consider a congratulatory message to staff involved; and

(iv) receive further reports as appropriate.

Local Government (Access to Information) (Variation Order) 2006

At the instance of the Chairman, it was:-

27. RESOLVED that in accordance with Section 100(A)4 of the Local Government Act 1972, the public be excluded during consideration of the remaining

business as it was considered likely to reveal the identity of an individual, or the disclosure of exempt information relating to any consultations or negotiations, in connection with any labour relations matter arising between the Authority and employees of the Authority (including the Authority holding that information) (Local Government Act 1972, Schedule 12A, Part I, Paragraphs 1, 2 and 4).

(Signed) J. BELL,
Chairman.

Note:-

The above minutes comprise only those relating to items during which the meeting was open to the public.

Additional minutes in respect of other items are included in Part II.

TYNE & WEAR FIRE AND RESCUE AUTHORITY **Item 4**

AUTHORITY MEETING: 25TH MARCH 2013

SUBJECT: TREASURY MANAGEMENT POLICY AND STRATEGY 2013/2014, INCLUDING PRUDENTIAL 'TREASURY MANAGEMENT' INDICATORS FOR 2013/2014 TO 2015/2016

REPORT OF THE FINANCE OFFICER

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1. Purpose of the Report

1.1 The purpose of this report is to set out the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2013/2014 and the Prudential 'Treasury Management' Indicators for 2013/2014 to 2015/2016 for approval.

2. Description of Decision

2.1 The Authority is requested to note that the Governance Committee has already scrutinised the proposed Treasury Management Policy and Strategy Statement for 2013/2014 (including the Treasury Management Prudential Indicators) in line with best practice; and

2.2 The Authority is requested to approve:
- 2013/2014 Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies);
- Prudential 'Treasury Management' Indicators for 2013/2014 to 2015/2016.

3. Treasury Management

3.1 Treasury management is defined 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."

The Treasury Management function is a specialist service that is carried out by Sunderland City Council on behalf of the Authority.

3.2 **Statutory requirements**

The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Management indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable, these are set out in Appendix 1.

The Act also requires the Authority to adopt a Treasury Management Policy Statement (detailed in Appendix 2) and to set out its Treasury Management Strategy comprising the Authority's strategy for borrowing and the Authority's policies for managing its investments and giving priority to the security and liquidity of those investments (Appendix 3).

The Department of Communities and Local Government issued revised investment guidance which came into effect from 1 April 2010 and the Charted Institute of Public Finance and Accountancy (CIPFA) has updated its Treasury Management in the Public Services Code of Practice in November 2011. Revisions made in the Code of Practice were largely regulatory updates to reflect developments resulting from the Localism Act 2011 and in particular changes to the way that local authority housing finance operate. The Authority adopted the amended CIPFA Code of Practice.

3.3 **CIPFA Code of Practice requirements**

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management has been fully adopted by the Authority.

The primary requirements of the Code are as follows:

1. The Authority will create and maintain, as the cornerstones for effective treasury management:
   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
   - suitable Treasury Management Practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement is detailed in Appendix 2 and the TMP's follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments which are minor in nature do not result in the Authority deviating from the Code's key principles and requirements.

2. The Authority will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.

3. The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to this

Committee, and for the execution and administration of treasury management decisions to the Finance Officer, who acts in accordance with the organisation's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Authority has previously nominated the Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury Management Strategy for 2013/2014

3.4 The Treasury Management Strategy comprises a Borrowing and an Investment Strategy. These set out the Authority's policies for managing its borrowing and investments and for giving priority to the security and liquidity of investments.

3.5 There are no major changes being proposed to the overall Treasury Management Strategy in 2013/2014 which maintains the prudent approach adopted by the Authority in previous years. Particular areas that inform the strategy include the extent of potential borrowing included in the Authority's capital programme, the availability of borrowing, and the current and forecast world and UK economic position, in particular forecasts relating to interest rates and security of investments.

3.6 The proposed Treasury Management Strategy Statement for 2013/2014 is set out in Appendix 3 and is based upon the views of the Finance Officer, supplemented with market data, market information and leading market forecasts provided by the Authority's treasury adviser, Sector Treasury Services. Although one of the rating agency's has downgraded the UK from it's AAA rating there has been little impact on the UK position which is still regarded as strong and a safe haven for foreign investors. The other two rating agency's have retained their AAA rating for the UK. The Treasury Management Policy and Strategy Statement has been amended to reflect this development.

3.7 The strategy is subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate. It is pleasing to note that the current average rate of borrowing at 3.51% is low in comparison with other local authorities whilst the current rate earned on investments is higher than the overall benchmark rate. The lead authority, Sunderland City Council, TM performance is also benchmarked with the majority of local authorities and is highly ranked within the top quartiles for both its low average rate of borrowing and also for the rate of return achieved on its investments. Debt rescheduling undertaken by the lead authority in previous years has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. Market conditions are under constant review so that the Authority can take a view on the optimum time to carry out further borrowing or debt rescheduling.

4. **Recommendations**

4.1 To note that the Treasury Management Policy and Strategy Statement for 2013/2014 and associated Prudential Indicators had already been scrutinised by the Governance Committee in line with best practice; and

4.2 To approve the 2013/2014 Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies) and the Prudential 'Treasury Management' Indicators for 2013/2014 to 2015/2016.

5. **Alternative Options**

5.1 No alternatives are submitted for the Authority's consideration

Appendix 1

Prudential 'Treasury Management' Indicators 2013/2014 to 2015/2016

The indicators below relate to Treasury Management (all indicators relating to capital financing have been removed for clarity and can be found in the Capital Programme 2013/2014 including Prudential Indicators for 2013/2014 to 2015/2016 report made to the Authority on 18th February 2013.

P5 In respect of its external debt, it is recommended that the Authority approves the following authorised limits for its total external debt, gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as PFI schemes and finance leases. The Authority is asked to approve these limits and to delegate authority to the Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for the authority. Any such changes made will be reported to the Authority at the next meetings following the change.

	Authorised Limit for External Debt			
	2012/2013 £000	**2013/2014 £000**	**2014/2015 £000**	**2015/2016 £000**
Borrowing	28,525	31,206	35,186	36,612
Other long term liabilities	24,032	24,177	24,273	24,342
Total	52,557	55,383	59,459	60,954

The Finance Officer reports that these authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this report on the Capital Programme for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Finance Officer confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with, in addition, sufficient headroom over and above this, to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

In taking its decisions on the Revenue Budget and Capital Programme for 2013/2014, the Authority is asked to note that the authorised limit determined for 2013/2014 of £55.383m, will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

P6 The Authority is also asked to approve the following operational boundary for external debt for the same time period and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario level, without the additional headroom included within the authorised limit to allow, for example, for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

The Authority is also asked to delegate authority to the Finance Officer, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit set out above.

The operational boundary limit for 2013/14 will be £50.383 million and will be closely monitored and a report will be made to Authority if it is exceeded at any point. It is not anticipated that there will be any issues in terms of remaining within the operational limit for 2013/14.

	Operational boundary for external debt			
	2012/2013 £000	**2013/2014 £000**	**2014/2015 £000**	**2015/2016 £000**
Borrowing	23,525	26,206	30,186	31,612
Other long term liabilities	24,032	24,177	24,273	24,342
Total	47,557	50,383	54,459	55,954

P7 The Authority's actual external debt at 31 March 2012 was £16.213 million (calculated on the basis that all Authority debt is classed as external), comprising £16.163 million borrowing and £0.050 million in respect of other long term liabilities. The Authority includes an element for long term liabilities relating to PFI schemes and finance leases in its calculation of the operational and authorised boundaries to allow flexibility over future financing. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time and allowances need to be made for cash flow variations.

P9 Sunderland City Council, on the Authority's behalf, has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The revised Code has therefore been adopted by the Fire and Rescue Authority.

The objective of the Code is to provide a framework for local authority capital finance that will ensure for individual local authorities that:

(a) capital expenditure plans are affordable;
(b) all external borrowing and other long term liabilities are within prudent and sustainable levels;

(c) treasury management decisions are taken in accordance with professional good practice;

and that in taking decisions in relation to (a) to (c) above the local authority is

(d) accountable, by providing a clear and transparent framework.

Further, the framework established by the Code should be consistent with and support:

(e) local strategic planning;
(f) local asset management planning;
(g) proper option appraisal.

In exceptional circumstances the objective of the Code is to provide a framework that will demonstrate that there is a danger of not ensuring the above, so that the Authority can take timely remedial action.

P10 It is recommended that the Authority also adopts the proposed lead authority's upper limit on its fixed interest rate exposures of £235 million in 2013/2014, £295 million in 2014/2015 and £300 million in 2015/2016

P11 It is further recommended that the Authority also adopts the proposed lead authority's upper limit on its variable interest rate exposures of £50 million in 2013/2014, £60 million in 2014/2015 and £60 million in 2015/2016.

P12 It is recommended that the Authority sets upper and lower limits for the maturity structure of its borrowings, consistent with Sunderland City Council's policy, as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate at the start of the period:

	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
over 50 years	100%	0%

P13 A maximum maturity limit of £75 million is set for each financial year (2013/2014, 2014/2015 and 2015/2016) for long term investments, (those over 364 days), made by the authority. This gives additional flexibility in undertaking the Treasury Management function. Should any external fund managers be appointed during the year, these limits will be apportioned accordingly. The type of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 3).

Appendix 2

Treasury Management Policy Statement

In line with CIPFA recommendations, the Authority adopted the following Treasury Management Policy Statement, which defines the policies and objectives of its treasury management activities:

- The 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".

- The 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..

- The 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 Authority has an agreed Borrowing and Investment Strategy, the high level policies of which are as follows:

The basis of the agreed Borrowing Strategy is to:
- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Authority's future borrowing requirement when market conditions are favourable;
- use a benchmark financing rate of 4.50% for long term borrowing (i.e. all borrowing for a period of one year or more);
- take advantage of debt rescheduling opportunities, as appropriate.

The general policy objective for the Authority in considering potential investments is the prudent investment of its treasury balances.
- the Authority's investment priorities in order of importance are:
  1) The security of capital
  2) The liquidity of its investments and then,
  3) The Authority aims to achieve the optimum yield on its investments but this is commensurate with the proper levels of security and liquidity

- the Authority has a detailed Lending List and criteria must be observed when placing funds – these are determined using expert TM advice, view of money market conditions and using detailed rating agency information as well as using our own market intelligence.
- Limits are also placed on the amounts that can be invested with individual and grouped financial institutions based on the Lending List and detailed criteria

The Authority re-affirms its commitment to the above Treasury Management Policy Statement .

Appendix 3

Treasury Management Strategy Statement for 2013/2014

1. **Introduction**

1.1 The Local Government Act 2003 and subsequent guidance requires the Authority to set out its Treasury Management Strategy for Borrowing and to prepare an Annual Investment Strategy. This sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2013/2014 is set out below and is based upon the Finance Officer's views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Authority's treasury adviser, Sector Treasury Services.

1.2 The treasury management strategy covers:

A. Borrowing Policy and Strategy

- treasury limits for 2013/2014 to 2015/2016
- current treasury management position
- the borrowing requirement 2013/2014
- prudential and treasury management indicators for 2013/2014 to 2015/2016
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

B. Annual Investment Policy and Strategy

- Investment policy and objectives
- the investment strategy
- investment types
- investments defined as capital expenditure
- investment limits
- provision for credit related losses
- creditworthiness policy
- monitoring of credit ratings
- past performance and current position
- outlook and proposed investment strategy
- external fund managers
- policy on use of external service providers

2. Borrowing Policy and Strategy

2.1 Treasury Limits for 2013/2014 to 2015/2016

It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming financial year and two successive financial years and details can be found in Appendix 1 (P5) of this report. The Authority is asked to approve these limits and to delegate authority to the Finance Officer, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long term liabilities where this would be appropriate. Any such changes made will be reported to the Authority at their next meetings following the change.

Also, the Authority is asked to approve the Operational Boundary Limits which are included in the Prudential Indicators in Appendix 1 (P6). This operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Authority is also asked to delegate authority to the Finance Officer, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

2.2 Current Treasury Management Position

2.2.1 Interest Rates 2012/2013

The Bank of England Base Rate has remained at 0.50% since 5th March 2009 and Economists are united in their forecasts for the Bank Base Rate, with no change to the current 0.5% predicted until after the December 2014 quarter at the earliest. PWLB rates and bond yields remain extremely unpredictable and there are still exceptional levels of volatility which are highly correlated to the sovereign debt crisis and to political developments in the Eurozone. This uncertainty is expected to continue into the medium term.

The government announced in the March 2012 budget plans to introduce a 0.20% discount on PWLB loans under the prudential borrowing regime for those authorities that provided 'improved information and transparency on their locally determined long-term borrowing and associated capital spending plans' and who successfully applied and were eligible for the lower rate. Sunderland City Council successfully applied to access loans at the lower PWLB certainty rate, which came into effect on 1st November 2012 and eligibility lasts until 31st October 2013 when authorities must reapply to access the PWLB certainty rate for the following 12 months.

Loan Type	31st March 2012 %	31st December 2012* %	Difference %
7 Day Notice	0.46	0.36	(0.10)
1 Month	0.57	0.37	(0.20)
PWLB – 1 Year	1.28	1.03	(0.25)
5 Years	2.05	1.70	(0.35)
10 Years	3.21	2.64	(0.57)
25 Years	4.32	3.87	(0.45)
50 Years	4.36	4.03	(0.33)

*Rates at 31/12/12 take into account a 0.2% discount to PWLB rates available to eligible authorities that came into effect on 1st November 2012.

2.2.2 **Long Term Borrowing 2012/2013**

The Authority's strategy for 2012/2013 is to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Authority. A benchmark financing rate of 4.50% for long-term borrowing was set in the Treasury Management Policy and Strategy Statement for 2012/2013. Due to high levels of volatility in the financial markets, with borrowing rates still forecast to remain low over the short term, no new borrowing has been undertaken in the current financial year up to 16th January 2013, and no debt rescheduling has been undertaken as rates have not been considered sufficiently favourable.

There are currently nine market, Lender's Option / Borrower's Option (LOBO's), loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and these can either be accepted at the new rate or be repaid without penalty. The following table shows the LOBO's that were subject to a potential rollover in this financial year but no changes have been received.

Roll Over Dates	Lender	Amount £m	Rate %	Roll Over Periods
21/04/2012 and 21/10/2012	Barclays	5.0	4.50	Every 6 months
29/09/2012	Dexia	5.0	4.32	every 3 years
03/02/2013	Dexia	5.0	4.37	every 3 years
22/02/2013	Dexia	5.0	4.38	every 3 years
Total		**20.0**		

2.2.3 Current Portfolio Position

The treasury portfolio position for Sunderland City Council which the Fire and Rescue Authority forms part of, at 28th February 2013 comprised:

		Principal (£m)	Total (£m)	Average Rate (%)
Borrowing				
Fixed Rate Funding	PWLB	142.9		
	Market (LOBO's)	24.5		
	Other	0.3	167.7	3.90
Variable Rate Funding	PWLB	0.0		
	Market (LOBO's)	15.0		
	Temporary/ Other	29.2	44.2	2.02
Total Borrowing			**211.9**	3.51
Total Investments	In House-short term*		**223.1**	1.90
	Long term**		**14.9**	8.60
	Total Investments		**238.0**	
Net Position			**26.1**	

*The total investments figure includes monies invested on behalf of the North Eastern Local Enterprise Partnership for whom Sunderland City Council is the accountable body.
** This relates to a specific investment for Sunderland City Council

Currently there is an excess of £26.1 million representing the difference between gross debt and total investments. However this position is expected to change over the next few years as both the lead authority and the Authority have to manage their finances with significantly less government funding. This could impact in the form of increased borrowing and reductions to reserves, with the result that the net borrowing position will increase.

There are a number of risks and benefits associated with having both a large amount of debt whilst at the same time having a considerable amount of investments.

Benefits of having a high level of investments are;

- liquidity risk – having a large amount of investments means that the Authority is at less of a risk should money markets become restricted or borrowing less generally available, this mitigates against liquidity risk;
- interest is received on investments which helps the Authority to address its Strategic Priorities;

- the Authority has greater freedom in the timing of its borrowing as it can afford to wait until the timing is right rather than be subject to the need to borrow at a time when interest rates are not advantageous.

Risks associated with holding a high level of investments are;

- the Counterparty risk – institutions cannot repay the Authority investment placed with them;
- interest rate risk – the rate of interest earned on the investments will be less than that paid on debt, thus causing a loss to the Authority.

The Authority has mitigated these risks by formulating its Treasury Management Investment Strategy and by detailed monitoring of counterparties through its borrowing and investment strategies and treasury management working practices and procedures.

2.3 Borrowing Requirement 2013/2014

The borrowing requirement for Sunderland City Council which the Fire and Rescue Authority also forms part of, is as follows:

		2013/14 £m	2014/15 £m	2015/16 £m
1.	Capital Borrowing (potential)	44.4	42.2	14.6
2.	Replacement borrowing (PWLB)	5.0	10.0	0.0
3.	Replacement borrowing (Market)	0.0	0.0	0.0
4.	Market LOBO replacement (potential)	10.0	19.5	20.0
TOTAL – KNOWN (2+3)		**5.0**	**10.0**	**0.0**
TOTAL – POTENTIAL (1+4)		**54.4**	**61.7**	**34.6**

2.4 Prudential and Treasury Management Indicators for 2013/2014 – 2015/2016

Prudential and Treasury Management Indicators (as set out in Appendix 1, P5 - P7 and P9 – P13) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice.

The Authority is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 20th November 2002 and the revised 2009 Code was adopted by the Authority on 22nd March 2010. The Code has been revised in November 2011 and the Authority must re-affirm its full adherence to the code annually (as set out in Appendix 2).

2.5 **Prospects for Interest Rates**

The Authority's treasury advisors are Sector Treasury Services and part of their service is to assist the Authority to formulate a view on interest rates. A number of current City forecasts for short term (Bank Rate) and longer fixed interest rates are set out in Appendix 4. The following gives the Sector Treasury Services Bank Rate forecast for the next 4 financial years:

2012/13	0.50%
2013/14	0.50%
2014/15	0.50% - 0.75%
2015/16	0.75% - 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate. A detailed view of the current economic background is contained within Appendix 5 to this report. The position will be closely monitored to ensure the Authority takes appropriate action as necessary under either scenario.

2.6 **Borrowing Strategy**

2.6.1 **Borrowing rates**

The Sector forecast in respect of interest rates for loans charged by the PWLB is as follows: -

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
Sept 2013	0.50	1.60	3.80	4.00
Dec 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
Sept 2014	0.50	1.80	4.00	4.20
Dec 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
Sept 2015	1.25	2.50	4.60	4.80
Dec 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

A more detailed forecast from Sector is included in Appendix 4.

The main sensitivities of the forecast are likely to be;

- if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates are still relatively cheap.

- if it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around a relapse into recession or, a risk of deflation, then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

In conjunction with the Authority's treasury advisers, the Authority will monitor both the prevailing interest rates and the market forecasts. With long-term interest rate forecasts set to remain around their current levels the Finance Officer, taking into account the advice of the Authority's treasury adviser considers a benchmark financing rate of 4.50% for any further long-term borrowing for 2013/2014 to be appropriate.

Consideration will be given to various options, including utilising some investment balances to fund the borrowing requirement in 2013/2014. The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required, and flexibility needs to be retained to adapt to any changes that may occur.

The Finance Officer, taking advice from the Authority's treasury advisers will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, wherever possible.

2.7 **Policy on borrowing in advance of need**

The Authority will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be assessed within the relevant Capital Financing Requirement calculations/estimates and will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance of activity will be subject to prior appraisal and borrowing undertaken will be reported to Authority as part of agreed treasury management reporting arrangements.

2.8 Debt Rescheduling

The reasons for any rescheduling of debt will include:

- the generation of cash savings at minimum risk;
- in order to help fulfil the Treasury Management Strategy; and
- in order to enhance the balance of the long-term portfolio (by amending the maturity profile and/or the balance of volatility).

In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. For example, since November 2008 the lead authority has rescheduled debt worth £59.5 million with an ongoing reduction in interest costs of just under £1.0 million per annum. The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB debt restructuring is much less attractive than it was before both of these measures were introduced. Consideration will also be given to other options where interest savings may be achievable by using LOBO (Lenders Option Borrowers Option) loans, and / or other market loans, in rescheduling exercises rather than solely using PWLB borrowing as the source of replacement financing but this would only be the case where this would represent best value to the Authority.

The latest interest rate projections for 2013/2014 show short term borrowing rates will be considerably cheaper than longer term rates and as such there may be potential for some opportunities to generate savings by switching from long term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred), their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

The Authority is keeping a watching brief on market conditions in order to secure further debt rescheduling when, and if, appropriate opportunities arise. The timing of all borrowing and investment decisions inevitably includes an element of risk, as those decisions are based upon expectations of future interest rates. The policy to date has been very firmly one of risk spread and this prudent policy will be continued.

Any rescheduling undertaken will be reported to the Authority, as part of the agreed treasury management reporting arrangements.

3. Annual Investment Policy and Strategy

3.1 Investment Policy and Objectives

When considering its investment policy and objectives, the Authority has taken regard to the Department of Communities and Local Government's (CLG) Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

The Authority's investment objectives are: -

(a) the security of capital, and
(b) the liquidity of its investments.

The Authority also aims to achieve the optimum return on its investments but commensurate with proper levels of security and liquidity. The risk appetite of the Authority is regarded as low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Authority will not engage in such activity.

3.2 Investment Strategy

This Strategy sets out:

- the procedures for determining the use of each class of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments";
- the maximum periods for which funds may be prudently committed in each class of investment;
- the amount or percentage limit to be invested in each class of investment;
- whether the investment instrument is to be used by the lead authority's in-house officers and/or by the appointed external fund managers, (if used); and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Authority's treasury advisers;
- the minimum amount to be held in short-term investments (i.e. an investment which the Authority may require to be repaid or redeemed within 12 months of making the investment).

3.3 Investment Types

The Authority is allowed to invest in two types of investment, namely Specified Investments and Non-specified Investments.

Specified Investments are those investments that are for a period of less than one year, are not classed as capital expenditure, and are placed with high credit rated counterparties.

Non-specified Investments are any investments which are not classified as specified investments. As the Authority only uses high credit rated counterparties this means in effect that any investments placed with those counterparties for a period of one year or more will be classed as Non-specified Investments. The Authority will not invest in any type of investment that will be classed as capital expenditure (see 3.4 below).

The type of investments to be used by the in-house team will be limited to term deposits, interest bearing accounts, and Money Market Funds, treasury bills and gilt edged securities and will follow the criteria as set out in Appendix 6.

3.4 Investments Defined as Capital Expenditure

The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments have to be funded out of capital or revenue resources and are classified as 'non-specified investments'.

A loan or grant by this Authority to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by the Authority. It is therefore important for the Authority to clearly identify if the loan has been made for policy reasons or if it is an investment for treasury management purposes. The latter will be governed by the framework set by the Authority for 'specified' and 'non-specified' investments.

The Authority will not use (or allow any external fund managers it may appoint to use) any investment which will be deemed as capital expenditure.

3.5 Investment Limits

One of the recommendations of the Code is that local authorities should set limits for the amounts of investments that can be placed with institutions by country, sector and group. These limits are applied in the lead authority's Counterparty criteria set out in Appendix 6.

The minimum amount of overall investments that the will be held in short-term investments (less than one year) is £50 million. As the lead authority has decided to restrict most of its investments to term deposits, it will maintain liquidity by having a minimum of 30% of these short-term investments maturing within 6 months.

A maximum limit of £75 million is to be set for in-house non-specified investments over 364 days up to a maximum period of 2 years. This amount has been calculated by reference to the total cash flows available and projected, including the potential use of earmarked reserves. The Finance Officer will monitor long-term investment rates and identify any investment opportunities if market conditions change.

3.6 **Provisions for Credit Related Losses**

If any of the investments appear at risk of loss due to default, (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates), then the lead authority will make revenue provision of an appropriate amount in accordance with proper accounting practice or any prevailing government regulations, if applicable. This position has not occurred and the lead authority mitigates this risk with its prudent investment policy.

3.7 **Creditworthiness policy**

The creditworthiness policy adopted by the lead authority takes into account not only the credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also, available market data and intelligence such as Credit Default Swap levels and share prices, the level of government support to financial institutions and advice from its Treasury Management advisors.

Set out in Appendix 6 is the detailed criteria that will be used, subject to approval, in determining the level of investments that can be invested with each counterparty or institution. Where a counterparty is rated differently by any of the 3 rating agencies, the lowest rating will be used to determine the level of investment.

3.8 **Monitoring of Credit Ratings**

- All credit ratings are monitored on a daily basis. The Authority has access to all three credit ratings agencies and is alerted to changes through its use of the Sector Treasury Services credit worthiness service.

- If a counterparty's rating is downgraded with the result that it no longer meets the Authority's minimum criteria, the Authority will cease to place funds with that counterparty. The Authority will also immediately inform its external fund manager(s), if used, to cease placing funds with that counterparty.

- If a counterparty's rating is downgraded with the result that their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa. The Authority will also immediately inform its external fund manager(s), if used, of any such change(s).

Should fund managers be employed by the Authority, the Authority will establish with its fund manager(s) their credit criteria and the frequency of their monitoring of credit ratings so as to be satisfied as to their adherence to the Authority's policy.

Moody's, one of the 3 major ratings agencies, has downgraded the UK's AAA sovereign rating by one notch and classified this at a stable outlook. They previously warned that this could happen if Government policy were to change, or was seen to be failing to achieve its desired outcome (the latter being the main reason for the downgrade as prospects for economic recovery are much slower than originally estimated). As the UK Government AAA sovereign rating has been amended the Authority's Investment Strategy and Lending List criteria has been reviewed and necessary changes are included in the Treasury Management Policy and Strategy Statement.

3.9 **Past Performance and Current Position**

During 2012/2013 the Authority did not employ any external fund managers, all funds being managed by the in-house team. The performance of the fund managed by Sunderland City Council's in-house team is shown below and compares this with the relevant benchmarks and performance from the previous year:

	2011/12 Return %	**2011/12 Benchmark** %	**To Date 2012/13 Return** %	**To Date 2012/13 Benchmark** %
Performance	0.80	0.37	0.80	0.43

During 2013/2014 the Authority will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Authority uses the 7 day London Interbank Bid (LIBID) rate as a benchmark for its investments. The performance of the Authority compared well with other local authorities and is in the top quartile.

3.10 **Outlook and Proposed Investment Strategy**

Based on its cash flow forecasts, the Authority together with the City Council anticipates its fund balances in 2013/2014 are likely to range between £100 million and £250 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or re-profiling of spend into future years. In 2013/2014, with short-term interest rates forecast to be materially below long-term rates, it is possible that some investment balances may be used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to the Authority if and when the appropriate conditions arise.

The Authority is not committed to any investments, which are due to commence in 2013/2014, (i.e. it has not agreed any forward deals).

Activities likely to have a significant effect on investment balances are:

- Capital expenditure during the financial year, (dependent upon timing), will affect cash flow and short term investment balances;
- Any re-profiling of capital expenditure from, and to, other financial years will also affect cash flow, (no re-profiling has been taken into account in current estimates);
- Any unexpected capital receipts or income;
- Timing of new long-term borrowing to fund capital expenditure;
- Possible funding of long-term borrowing from investment balances (dependent upon appropriate market conditions).

The Finance Officer, in conjunction with the Authority's treasury adviser Sector Treasury Services, and taking into account the minimum amount to be maintained in short-term investments, will continue to monitor investment rates closely and to identify any appropriate investment opportunities that may arise.

It is proposed that delegated authority continues to be given to the Finance Officer to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to the Authority retrospectively, in accordance with normal Treasury Management reporting procedures.

3.11 External fund managers

At present the lead authority does not use external fund managers.

Should the Authority appoint any external fund managers in the future, they will have to agree to strict investment limits and investment criteria. These external fund managers will work to the following parameters:

- The institutions on the Approved Lending list of the external manager must correspond to those agreed with the lead authority (i.e. only institutions on the Approved Lending List to be included as shown in Appendix 7);
- they will be allowed to invest in term deposits, Certificates of Deposit (CD's) and government gilt securities;
- An investment limit of £3 million per institution (per manager);
- A maximum limit of 50% fund exposure to government gilts;
- A maximum proportion of the fund invested in instruments carrying rates of interest for periods longer than 364 days shall not exceed 50%. It is proposed to only recommend the use of fixed term deposits up to a maximum of 2 years.

3.12 **Policy on the use of external service providers**

The Authority uses Sector as its external treasury management advisers. The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

4. **Scheme of delegation**

4.1 The Treasury Management Strategy Statement has been prepared in accordance with the revised Code. Accordingly, the Authority's Treasury Management Strategy (TMS) is approved annually by the Authority and the Authority now receive, as a minimum, a mid-year TMS report and an annual Treasury Management outturn report for the previous year by no later than the 30th September of the following year. In addition quarterly reports are made to the Authority and the Governance Committee and monitoring reports are reviewed by members in both executive and scrutiny functions respectively. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

The Authority has the following reporting arrangements in place in accordance with the requirements of the Code – these are summarised in the table as follows:

Area of Responsibility	**Authority/ Committee/ Officer**	**Frequency**
Treasury Management Policy Statement (revised)	Full Authority	Reaffirmed annually and updated as appropriate
Treasury Management Strategy / Annual Investment Strategy	Full Authority	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy – mid year report	Full Authority	Mid year

Area of Responsibility	Authority/ Committee/ Officer	Frequency
Treasury Management Strategy / Annual Investment Strategy – updates or revisions at other times	Full Authority	As appropriate
Annual Treasury Management Outturn Report	Full Authority	Annually by 30/9 after the end of the financial year
Treasury Management Monitoring Reports	Finance Officer	Monthly
Treasury Management Practices	Finance Officer	Annually
Scrutiny of Treasury Management Strategy	Governance Committee	Annually before Full Authority
Scrutiny of Treasury Management Performance	Governance Committee	Quarterly

5. The Treasury Management Role of the Section 151 Officer

5.1 The Finance Officer is the Authority's Section 151 Officer and has specific delegated responsibility in the Authority's Constitution to manage the borrowing, financing, and investment requirements of the Authority in accordance with the Treasury Management Policy agreed by the Authority. This includes;

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

Appendix 4

Interest Rate Forecasts

Introduction
The data set out overleaf shows a variety of forecasts published by Sector Treasury Services, Capital Economics (an independent forecasting consultancy) and UBS (which represents summarised figures drawn from the population of all major City banks and academic institutions).

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. Individual Forecasts

Sector's Interest Rate View	Now	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
3 Month LIBID	0.40%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.80%	1.10%	1.40%	1.70%	1.90%
6 Month LIBID	0.56%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%	1.60%	1.90%	2.20%
12 Month LIBID	0.92%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.10%	1.20%	1.30%	1.30%	1.50%	1.80%	2.10%	2.40%
5yr PWLB Rate	1.66%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
10yr PWLB Rate	2.64%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
25yr PWLB Rate	3.88%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
50yr PWLB Rate	4.04%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
Bank Rate															
Sector's View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
Sector's View	1.66%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90%
UBS	1.66%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	1.66%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.50%	1.60%	-	-	-	-	-
10yr PWLB Rate															
Sector's View	2.64%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90%
UBS	2.64%	2.80%	3.00%	3.10%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	-	-	-	-	-
Capital Economics	2.64%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	-	-	-	-	-
25yr PWLB Rate															
Sector's View	3.88%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00%
UBS	3.88%	4.00%	4.20%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	-	-	-	-	-
Capital Economics	3.88%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	-	-	-	-	-
50yr PWLB Rate															
Sector's View	4.04%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20%
UBS	4.04%	4.10%	4.30%	4.40%	4.50%	4.60%	4.60%	4.60%	4.60%	4.60%	-	-	-	-	-
Capital Economics	4.04%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	-	-	-	-	-

2. Survey of Economic Forecasts

HM Treasury January 2013
The current Q4 2012 and 2013 base rate forecasts are based from samples of both City and non-City forecasters included in the HM Treasury December 2012 report.

BANK RATE FORECASTS	quarter ended		annual average Bank Rate		
	Q4 2012	Q4 2013	ave. 2014	ave. 2015	ave. 2016
Median	0.49%	0.53%	0.74%	1.44%	2.04%
Highest	0.50%	1.50%	1.60%	4.02%	3.60%
Lowest	0.25%	0.25%	0.25%	0.50%	0.50%

Appendix 5

Economic Background

1.1. Global economy

The Eurozone debt crisis has continued to depress growth in most countries within the World. This has impacted on the UK economy which is unlikely to grow significantly in 2012 and is creating problems that may hamper recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the UK economy and this recession is the worst and slowest recovery of any of the five recessions experienced since 1930. A return to growth of around 1% in quarter 3 is unlikely to prove anything more than a temporary improvement before a return to weak, or negative, growth in quarter 4.

Eurozone

The Eurozone sovereign debt crisis has abated following the European Central Bank's (ECB) pledge to buy unlimited amounts of bonds of countries which require a bailout. The immediate target for this action was Spain which continues to prevaricate on making such a request (for a national bailout) and so surrendering its national sovereignty to IMF supervision. However, the situation in Greece is heading towards a critical point as the Eurozone faces up to having to relax the time frame for Greece reducing its total debt level below 120% of GDP and providing yet more financial support to enable it to do that. Many experts still view a Greek exit from the Euro as inevitable as total debt now looks likely to reach 190% of GDP (in the UK the comparable figure is 68%) i.e. unsustainably high, unless the Eurozone were to accept a major write down of Greek debt. The possibility of a write down has now been raised by the German Chancellor, but not until 2014-15, and provided the Greek annual budget is in balance.

Sentiment in financial markets has improved considerably since this ECB action and the recent Eurozone renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this solution to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

United States

The US economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by with large amounts of quantitative easing (QE) combined with a commitment to a continuation of very low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener to economic growth discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy if not resolved. However, the housing market does look as if it has reached the bottom and house prices are now on the up.

Emerging Markets
Hopes for a broad based recovery have, therefore, focused on the emerging markets. However, there are increasing concerns over warning signs in various parts of the Chinese economy that indicate it could be in risk of heading for a hard landing rather than a gradual slow down.

1.2 UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order, have now had to be extended (in the autumn statement) over a longer period than the original four years now into 2017/18. Achieving this new extended time frame will still be dependent on the UK economy returning to a reasonable pace of growth towards the end of this period. It was important for the Government to carry out these measures to retain investor confidence in the UK.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is still seen as a safe haven from Eurozone debt even though Moody's has downgraded the UK's AAA rating. There is little evidence that consumer confidence is recovering or that the manufacturing sector is picking up. On the positive side, growth in the services sector rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had time to make a significant impact. Finally, the housing market remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth
Economic growth has remained flat since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. Quantitative Easing (QE) was increased again by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the MPC to vote for a further round of QE to stimulate economic activity regardless of any short-term optimism. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) is also effectively a further addition of QE.

Unemployment
The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate
Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating
The UK has had it's AAA sovereign rating downgraded by one of the three major ratings agencies. The credit rating agencies have been carefully monitoring the rate of growth in the economy and disappointing performance in this area has led to a concern that the plans to contain the growth in the total amount of Government debt will take longer than expected.

Although the UK AAA rating has been downgraded (which most experts anticipated as inevitable), it has had very little effect as the UK is still seen as a safe haven for foreign investors.

1.3 Economic Forecast
Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the Greek government was unable to eliminate the annual budget deficit and the costs of further support were to be viewed as being prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- the potential for action to curtail the Iranian nuclear programme

- the situation in Syria deteriorating and impacting other countries in the Middle East

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, The Councils Treasury Advisers, Sector, sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.
Sector believes that 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 the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields
- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held
- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth
- The UK credit rating downgrade.

Lending List Criteria **Appendix 6**

Counterparty Criteria

The lead Authority takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisors.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	A1+	Aaa	P-1	110	2 Years
AA+	F1+	A1+	Aa1	P-1	90	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	20	364 days
A+	F1	A-1	A1	P-1	10	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	10	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	5	6 months
Local Authorities (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					90	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £80 million with a maximum of £40 million in any one fund.					80	Liquid Deposits
Local Authority controlled companies (#duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA+ will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

Where any banks / building societies are part of the UK Government's Credit Guarantee scheme (marked with * in the Approved Lending List), these counterparties will have an AA rating applied to them thus giving them a credit limit of £40 million for a maximum period of 364 days

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above, these new limits are as follows:

Appendix 6 (continued)

Country Limit
It is proposed that only countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £40 million which can be invested in other countries provided they meet the above criteria. A separate limit of £350 million will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	350
Non UK	40

Sector Limit
The Code recommends a limit be set for each sector in which the Authority can place investments. These limits are set out below:

Sector	Limit £m
Central Government	350
Local Government	350
UK Banks	350
UK Building Societies	150
Money Market Funds	50
Foreign Banks	40

Group Limit
Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the government's guarantee scheme is still in place;
- the UK continues to have a sovereign credit rating of AA+; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix 7

Approved Lending List **Appendix 7**

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
UK	AAA				Aa1			AAA		350	2 years
Lloyds Banking Group (see Note 1)										**Group Limit 90**	
Lloyds Banking Group plc	A	F1	bbb	1	A3	-	-	A-	A-2	90	2 years
Lloyds TSB Bank Plc	A	F1	bbb	1	A2	P-1	C-	A	A-1	90	2 years
Bank of Scotland Plc	A	F1	-	1	A2	P-1	D+	A	A-1	90	2 years
Royal Bank of Scotland Group (See Note 1)										**Group Limit 90**	
Royal Bank of Scotland Group plc	A	F1	bbb	1	Baa1	P-2	-	A-	A-2	90	2 years
The Royal Bank of Scotland Plc	A	F1	bbb	1	A3	P-2	D+	A	A-1	90	2 years
National Westminster Bank Plc	A	F1	-	1	A3	P-2	D+	A	A-1	90	2 years
Ulster Bank Ltd	A-	F1	ccc	1	Baa2	P-2	D-	BBB+	A-2	90	2 years
Santander Group *										**Group Limit 40**	
Santander UK plc	A	F1	a	1	A2	P-1	C-	A	A-1	40	364 days
Cater Allen	-	-	-	-	-	-	-	-	-	40	364 days
Barclays Bank plc *	A	F1	a	1	A2	P-1	C-	A+	A-1	40	364 days
HSBC Bank plc *	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+	40	364 days

Appendix 7(continued)

	Fitch			Moody's				Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS *	A+	F1	a+	1	A2	P-1	C	A+	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	aa-	1	A1	P-1	B-	AA-	A-1+	40	364 days
Clydesdale Bank / Yorkshire Bank **/***	A	F1	bbb	1	A2	P-1	C-	BBB+	A-2	0	
Co-Operative Bank Plc	BBB+	F2	bbb+	3	A3	P-2	C-	-	-	0	
Virgin Money ***	BBB	F3	bbb	5	-	-	-	BBB+	A-2	0	
Top Building Societies (by asset value)											
Nationwide BS (see above)											
Yorkshire BS ***	BBB+	F2	bbb+	5	Baa2	P-2	C-	A-	A-2	0	
Coventry BS	A	F1	a	5	A3	P-2	C	-	-	5	6 Months
Skipton BS ***	BBB-	F3	bbb-	5	Ba1	NP	D+	-	-	0	
Leeds BS	A-	F2	a-	5	A3	P-2	C	-	-	5	6 Months
West Bromwich BS ***	-	-	-	-	B2	NP	E+	-	-	0	
Principality BS ***	BBB+	F2	bbb+	5	Ba1	NP	D+	-	-	0	
Newcastle BS ***	BB+	B	bb+	5	-	-	-	-	-	0	
Nottingham BS ***	-	-	-	-	Baa2	P-2	C-	-	-	0	
Foreign Banks have a combined total limit of £40m											
Australia	AAA	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days

Appendix 7(continued)

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Individual	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Canada	AAA				Aaa			AAA		40	364 Days
Bank of Nova Scotia	AA-	F1+	aa-	1	Aa1	P-1	B	A+	A-1	20	364 Days
Royal Bank of Canada	AA	F1+	aa	1	Aa3	P-1	C+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	aa-	1	Aaa	P-1	B+	AA-	A-1+	20	364 Days
Money Market Funds										80	Liquid Deposits
Prime Rate Stirling Liquidity	AAA							AAA		40	Liquid
Insight Liquidity Fund					AAA			AAA		40	Liquid
Ignis Sterling Liquidity	AAA							AAA		40	Liquid

Notes

Note 1 **Nationalised / Part Nationalised**
The counterparties in this section will have the UK Government's AA+ rating applied to them thus giving them a revised credit limit of £90 million

* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme. The counterparties in this section will have an AA rating applied to them thus giving them a revised credit limit of £40 million for a maximum period of 364 days

** The Clydesdale Bank (under the UK section) is owned by National Australia Bank

*** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the FSA is classed as a UK bank for the purposes of the Approved Lending List.

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item 5**

MEETING: 25 MARCH 2013

MEMBERS' ALLOWANCES SCHEME

JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY AND FINANCE OFFICER

1. At its meeting on 26 March 2012, the Authority considered a report of the Independent Remuneration Panel, which had undertaken a review of the Members' Allowances Scheme. The Authority accepted the Panel's recommendations regarding the level of allowances and agreed to the adoption of the Scheme to apply during the financial year 2012-2013 and thereafter, until further review. A summary of the scheme is shown in the Appendix to this report.

2. There have been no changes to the Authority's governance arrangements which would indicate that a further review is required at this time and therefore members are recommended formally to confirm that the scheme should continue in the same terms for the next financial year, until further review.

3. **RECOMMENDATIONS**

To agree that the provisions of the Members' Allowances Scheme, which are summarised in the Appendix, shall continue to apply during the financial year 2013-1014 and thereafter, until further review and consideration by the Independent Remuneration Panel and the Authority.

BACKGROUND PAPERS

There are no background papers to this report

Appendix

<u>**Summary of Members' Allowances**</u>

	£
Basic Allowance	1,848
Special Responsibility Allowances:	
Chairman	12,798
Vice Chairman (to include Chairing the Policy and Performance Committee)	6,399
Chairman – Human Resources Committee	6,399
Leader of Majority Party in Opposition	3,200
Co-optees Allowances: Governance Committee	
Chair of Governance Committee	3,296
Independent Members	1,648

Where there is no single majority party in opposition and there is equal representation of any opposition parties on the Joint Authority, the allowance payable to the Leader of the Majority Party in Opposition shall be shared equally between the Leader of the Parties who are so represented.

Carers Allowances:

Actual expenditure up to a maximum of £6.87 per hour

Travel Allowances:

Motor Cycle Allowance	24p per mile
Bicycle Allowance	20p per mile
Car Allowance	45p per mile for first 10,000 miles and 25p thereafter Passenger Supplement 5p per mile for the Passenger (not exceeding 4)

The above rates match Her Majesty's Revenues and Customs authorised mileage rates and will be updated when HMRC publishes revised allowances.

Accommodation and Subsistence Allowances:

Overnight Accommodation - the allowance will not be claimable as an allowance as such, rather reasonable costs of an overnight stay (including breakfast) will be met for business class accommodation (3 star or 4 star) within and outside of London. Unless there are exceptional circumstances officers will book the accommodation direct selecting the most economic option available and utilising the established procurement arrangements in place. Where exceptional circumstances exist, these will be approved in advance by the Finance Officer and reasonable costs will be reimbursed subject to submission of receipts.

The above approach is proposed for dealing with overnight stays (including breakfast). The subsistence rates for other meals, where necessary, are still considered appropriate and would be in addition.

In the case of absence from the usual place of residence for a continuous period which exceeds 4 hours but does not involve an overnight absence, subsistence is payable as per the table set out below:

Breakfast Allowance	£5.91
Lunch Allowance	£8.13
Tea Allowance	£3.20
Evening Meal Allowance	£10.07

Reduction of Subsistence Allowance for Meals Provided Free of Charge:

Reduction for Breakfast provided	£5.91
Lunch provided	£8.13
Tea provided	£3.20
Dinner provided	£10.07

A contribution in excess of the above amounts can be made in exceptional extenuating circumstances. Such circumstances must be approved in advance by the Finance Officer.

TYNE AND WEAR FIRE AND RESCUE AUTHORITY Item No 6

MEETING: 25 MARCH 2013

SUBJECT: PAY POLICY

JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY, THE FINANCE OFFICER AND PERSONNEL ADVISOR

1 INTRODUCTION

1.1 The purpose of this report is to recommend for approval the revised Pay Policy Statement for subsequent publication by 31st March 2013 in accordance with the Localism Act 2011.

2 BACKGROUND

2.1 The provisions of the Localism Act 2011 came into force on 15th January 2012, bringing together the strands of increasing accountability, transparency and fairness in the setting of local pay. Section 38 of the Act requires English and Welsh local authorities and fire and rescue authorities to produce an annual pay policy statement starting with 2012/13, setting out authorities' policies for the financial year in relation to the remuneration of their senior staff/chief officers, the remuneration of their lowest-paid employees, and the relationship between the pay of chief officers and that of other employees. The statutory guidance emphasises that local authorities and fire and rescue authorities are individual employers with autonomy to make decisions on pay which are appropriate to local circumstances and which deliver value for money for local taxpayers. The provisions in the Act do not seek to change this or to determine policies or decisions on pay – but they do require that authorities are open about their own local policies and how local decisions are made.

2.2 Required elements:

The statutory pay policy statement needs to cover the Authority's policies relating to:

- The level and elements of remuneration for each chief officer (including salary, bonuses and benefits in kind);
- The remuneration of its lowest-paid employees (together with its definition of "lowest paid employees" and its reasons for adopting that definition);
- The relationship between the remuneration of its chief officers and other officers;

- Other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, the use of performance-related pay and bonuses, termination payments, and transparency (i.e. publication of and access to information relating to their remuneration).

2.4 The wording of the Act and the related guidance is primarily tailored to local authorities, and has needed to be interpreted appropriately to apply it to the circumstances and structure of a fire and rescue authority.

3 PROPOSAL

3.1 The proposed draft Pay Policy Statement is attached at Appendix A to this report. It draws from current guidance and references or incorporates the Authority's related policies where they exist. It reflects the Authority's practice and position in aiming to be an employer of choice within the context of managing scarce public resources.

4 EQUALITY AND DIVERSITY IMPLICATIONS

4.1 The draft pay policy statement reflects the Authority's obligations and commitment to equality objectives in pay and reward.

5 FINANCIAL IMPLICATIONS

5.1 The pay policy statement does not of itself have any financial implications.

6 HEALTH AND SAFETY IMPLICATIONS

6.1 There are no health and safety implications in respect of this report.

7 RECOMMENDATIONS

7.1 Members are recommended to:

a) Approve the attached draft Pay Policy Statement for publication by 31st March 2013; and

b) Receive further reports as necessary.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:
The Localism Act 2011

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

PAY POLICY STATEMENT 2013/14

1 AIM OF POLICY

1.1 The aim of this document is to set out the pay policy for employees of Tyne and Wear Fire and Rescue Authority.

2 BACKGROUND

2.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for 2012/13 and for each financial year after that.

2.2 A Pay Policy Statement is expected to comply with the following elements:

- A Pay Policy Statement for a financial year must set out the Authority's policies for the financial year relating to the remuneration of its Chief Officers;
- The statement must include the Authority's policies relating to:
    - the level and elements of remuneration for each Chief Officer;
    - remuneration of each Chief Officer on recruitment;
    - increases and additions to remuneration for each Chief Officer;
    - the use of performance related pay for Chief Officers;
    - the use of bonuses for Chief Officers;
    - the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority; and
    - the publication of and access to information relating to the remuneration of Chief Officers.

2.3 A pay policy statement for a financial year may also set out the Authority's policies for the financial year relating to the other terms and conditions applying to the Authority's Chief Officers.

2.4 The interpretation of the meaning of 'Chief Officer(s)' as used above in the context of the Pay Policy Statement includes the Chief Fire Officer and those managers who report directly to the Chief Fire Officer. Therefore for clarity, the pay policy statement will include the Brigade Managers, i.e. the Chief Fire Officer (CFO), the Deputy Chief Fire Officer (DCFO) and the two Assistant Chief Fire Officers (ACO).

3 DEFINITIONS

3.1 The strict definition of Chief Officers within the legislation is limited to:

- The Head of Paid Service;
- The Monitoring Officer;
- The statutory Chief Officer and non-statutory Chief Officer under section 2 of the Local Government and Housing Act 1989;
- Deputy Chief Officer mentioned in section 2 of that Act.

However, as the Fire and Rescue Authority employs a wider range of senior staff to manage the Fire and Rescue Service (known as Brigade Managers), this pay policy covers all staff that are considered to be the most senior decision makers within the Fire and Rescue Service, in addition to the officers listed above.

3.2 The Authority employs two tiers of senior management, the most senior being Brigade Managers, of which there are four. As well as performing organisational management functions three of these officers provide the most senior operational command for the Service. All four officers are employed on the terms defined by the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services (known as the ‘Gold Book’).

3.3 The second management tier undertakes the functional management of the Service and again includes a mixture of roles and associated terms and conditions and remuneration, with staff being conditioned to one of two types of terms and conditions of service. These are:

- The National Joint Council for Local Government Services (known as the ‘Green Book’); and
- The National Joint Council for Local Authority Fire and Rescue Services (known as the ‘Grey Book’).

3.4 The Authority has, over a number of years, operated within a lead Authority arrangement thus two of the statutory officer functions are provided through Service Level Agreements. The individuals, who fulfil these roles for the Fire and Rescue Authority, are not employed by the Authority and, therefore, their pay policy is not covered here but may be found in the policy of their employers (Sunderland City Council). The roles concerned are:

- **The Authority Finance Officer** - This post is filled by the Executive Director of Commercial and Corporate Services at Sunderland City Council;
- **The Monitoring Officer** - This post is filled by the Chief Executive at Sunderland City Council.

4 BASIC PAY

4.1 The following officers, known as Brigade Managers, are covered within this pay policy statement:

- **Chief Fire Officer** and **Deputy Chief Fire Officer** in accordance with the requirements of the Localism Act 2011;
- **Assistant Chief Fire Officer (Operational)** and **Assistant Chief Fire Officer (Non-Operational)** in the interests of transparency for all Brigade Managers and as direct reports to the Chief Fire Officer.

4.2 The basic pay details of all Brigade Managers are available on the Tyne and Wear Fire and Rescue Service website. The levels of pay are determined by both national and local review following the guidance set out in the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services ('Gold Book') Terms of Conditions. All other payments are determined by the Authority and contained within the Authority's statement of accounts which is also published on the Tyne and Wear Fire and Rescue Service website.

4.3 There is no defined relationship between Brigade Managers' pay and other Authority employees.

4.4 The Chief Fire Officer's pay was reviewed in 2006 taking into consideration market factors, the NJC relevant minimum salary levels for the population band covered, and relevant benchmark data. This figure is uplifted for the annual pay increases published by the NJC.

4.5 The Chief Fire Officer's annual lease car costs are borne by the Fire and Rescue Authority, the maximum CO_2 emissions of which are in accordance with the Authority's Carbon Management policy.

4.6 Other Brigade Managers' pay is set in relation to the percentages of the Chief Fire Officer's salary, i.e. Deputy Chief Fire Officer 85% of CFO and Assistant Chief Fire Officer 80% of CFO, (where an officer does not provide Gold Command Operational duties, their pay will be set at 85% of their particular role) except where the officer do not provide Gold Command, where the percentage is 67.33% (85% of an ACO carrying out Gold Command duties).

4.7 Other Brigade Managers are provided with a car with an annual leasing cost of no more than 7.5% of their salary, or a cash alternative of 6%. Where a car is supplied, the maximum CO_2 emissions are in accordance with the Authority's Carbon Management policy.

5 REMUNERATION OF BRIGADE MANAGERS ON RECRUITMENT

5.1 On recruitment the Fire and Rescue Authority will consider and agree the conditions of employment and salary of the Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officers. Consideration will be given to market forces, national Government policy, local indicators and NJC guidance.

6 REMUNERATION OF ALL OTHER EMPLOYEES OF THE TYNE AND WEAR FIRE AND RESCUE SERVICE

6.1 National Joint Council for Local Government Services – National Agreement on Pay and Conditions of Service ('Green Book')

6.1.1 Salaries of 'Green Book' employees in the Service are set using nationally agreed pay scales and the nationally agreed Job Evaluation Scheme.

6.2 National Joint Council for Local Authority Fire and Rescue Services – Scheme of Conditions of Service (Current Edition) ('Grey Book')

6.2.1 Salaries of 'Grey Book' employees in the Service are set using nationally agreed pay levels.

6.3 PAY AWARDS

6.3.1 Where National Pay Awards are agreed these are made to pay scales on an annual basis and these pay awards are applied to all employees. This annual award is currently applicable in April for Green Book Employees, July for Grey Book Employees and January for Gold Book employees.

7 THE USE OF PERFORMANCE RELATED PAY FOR BRIGADE MANAGERS

7.1 Tyne and Wear Fire and Rescue Authority does not use performance related pay for Brigade Managers.

8 THE USE OF BONUSES AND TERMINATION PAYMENTS FOR BRIGADE MANAGERS

8.1 Tyne and Wear Fire and Rescue Authority does not award bonuses to Brigade Managers. Termination payments are not payable.

9 THE APPROACH TO THE PAYMENT OF BRIGADE MANAGERS ON THEIR CEASING TO HOLD OFFICE OR TO BE EMPLOYED BY THE AUTHORITY

9.1 The payment to Brigade Managers on the ceasing of their employment is in line with the benefits accrued through meeting the qualifying requirements of the relevant Pension Scheme, assuming they are a Member of a relevant Scheme.

9.2 In the case of any redundancy payments to be made to Brigade Managers these payments will be set using the existing regulations for 'Gold Book' employees. Redundancy payments will be calculated based on the statutory maximum weekly pay.

9.3 Any other payments will be subject to the approval of the Authority on a case by case basis.

10 THE APPROACH TO THE PAYMENT OF ALL OTHER EMPLOYEES ON THEIR CEASING TO HOLD OFFICE OR TO BE EMPLOYED BY THE AUTHORITY

10.1 'Green Book' Employees - The payment to Green Book Employees on the ceasing of their employment will be in line with the benefits accrued through meeting the qualifying requirements of the relevant Pension Scheme, assuming they are a Member of a relevant pension scheme.

In the case of redundancy the guidance contained within the pension policy statement will apply under the existing conditions of the Local Government Pension Scheme. (The Pension Policy Statement can be found at appendix 1A of the Pay Policy Statement).

10.2 'Grey Book' Employees - The payment to Grey Book Employees on the ceasing of their employment will be in line with the benefits accrued through meeting the qualifying requirements of the relevant pension scheme, assuming they are a Member of a relevant pension scheme.

In the case of any redundancy payments to be made to Grey Book Employees these payments will be set using the existing regulations for Grey Book employees. Redundancy payments will be calculated based on the statutory maximum weekly pay.

11 MAXIMUM PAY MULTIPLE DEFINITION

11.1 One of the requirements of the Localism Act 2011 is that the Authority has a policy on pay multiples for senior staff.

11.2 The definition of lowest paid employees is those staff who are employed in jobs which are paid at Scale 1 level (spinal column point 4)(£12,145 per annum for a full time 37 hour week), this being the lowest salary paid to employees other than apprentices. The salaries attributable to apprentices depend on age and are those set out within the National Minimum Wage legislation. Given the specific nature of these appointments, the Authority does not include apprentices within the definition of lowest paid employees for the purposes of this policy statement.

11.3 As a result of policy decisions made to date by the Authority, the current pay multiples for the Chief Fire Officer and lowest paid employee is **11.25:1.** This is well within the Government expectation that the pay multiple relationship should be below 20:1 in local government.

11.4 In addition, the 'Hutton Review of Fair Pay' which provided the genesis of the legislation, identified that most top to bottom pay multiples in the public sector are in the region of 8:1 to 12:1. Therefore when reviewing salary the following multiples are also worthy of note:

- Between the Chief Fire Officer and the lowest paid operational Fire-fighter the multiple is 6.1:1;

- Between the Chief Fire Officer and the median earnings the multiple is 4.64:1

11.5 The ratio in the Authority, between the Chief Fire Officer and Fire-fighters at 5.89:1 is at the bottom end of the scale contained within the 'Hutton Review of Fair Pay' report. The report also advocated using median earnings as a ratio since this would be less sensitive to changes in the structure. Here again, the ratio is small at just over four times the median.

11.6 Pay is reviewed annually by different pay review bodies and, therefore, the decisions are different for each group of staff (Gold, Grey and Green Book terms and conditions) and different awards may be made each year therefore the maximum may be variable.

11.7 The national situation for the general labour market throughout 2011/2012 and 2012/13 has been one of pay freeze or very austere increases in response to the economic climate. The Authority has been cognisant of this position by offering low or no pay awards to all its employees. Therefore senior officers (Gold Book staff) within the Authority have not received a pay increase for the last three years which is also true of corporate staff (Green Book). However operational staff (Grey Book), after a pay freeze of two years received a 1% salary increase from 1st July 2012.

12 THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO THE REMUNERATION OF BRIGADE MANAGERS

12.1 Details of Brigade Managers salary and remuneration including any expenses are available on the Tyne and Wear Fire and Rescue Service website. This information is also contained within the Statement of Accounts.

13 RESPONSIBILITY FOR POLICY

13.1 The Fire and Rescue Authority holds responsibility for setting and agreeing this policy. This policy will be monitored and reviewed annually by the Fire and Rescue Authority.

14 ADDITIONAL INFORMATION

14.1 Policies on such items as early retirement, augmentation, Shared Cost AVC, Internal Dispute resolution Procedures and Flexible Retirement are available on request from the Chief Fire Officer.

14.2 This policy links to Strategic Goal 4 - To deliver a modern, effective service, ensuring value for money, with staff who reflects the communities we serve.

14.3 An equality impact assessment has been carried out on this policy and is available on request from the Chief Fire Officer.

APPENDIX A

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Statement of Policy on Discretions relating to

The Local Government Pension Scheme Regulations 1997 (as amended) and

The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and

The Local Government Pension Scheme (Administration) Regulations 2008

1. Introduction

1.1 This document sets out the Authority's policy in relation to its powers to exercise discretions under the following regulations:

- The Local Government Pension Scheme Regulations 1997 (as amended) (herein referred to as the LGPS Regulations 1997)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (herein referred to as the Discretionary Compensation Regulations 2006)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008

2. Policy Statement

2.1 Relevant Regulations appertaining to the Local Government Pension Scheme, as amended and updated from time to time, require the Authority to formulate publish and keep under review the policy which it maintains in the exercise of its discretionary powers.

2.2 This document sets out how the Authority will exercise its discretions under these regulations with effect from 1st April 2007 as amended from time.

2.3 The Authority will continue to review and monitor the way in which it exercises its discretions with regard to:

- The extent to which the exercise of its discretionary powers (in accordance with the policy), unless properly limited, could lead to a serious loss of confidence in the public service; and
- The policy being workable, affordable and having reasonable regard to the foreseeable costs

2.4 Should the Authority decide to change this policy a statement of the amended policy will be published and any changes will take effect one month after the date of publication.

3. Eligibility

3.1 The Authority may exercise the discretions outlined in the policy in respect of all Tyne and Wear Fire and Rescue Authority employees who are eligible to be a member of the LGPS (whether or not he or she is such a member) or would be so eligible but for the giving of notification under regulation 8 of the Pension Regulations, and

3.2 Whose employment is terminated by reason of redundancy, in the interests of the efficient exercise of the Authority's functions, or in the case of a joint appointment, because the other holder of the appointment has left.

4. **Discretions**

4.1 **Power to pay compensatory payment on employees actual weekly pay** (Regulation 5 - Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2007)

Entitlement to a redundancy payment under the Employment Rights Act 1996 is subject to a ceiling on the weekly pay element of the calculation. Under this policy the Authority will exercise its discretion to calculate any redundancy payment based on an employee's actual weekly pay.

4.2 **Power to pay compensatory payment of up to 104 weeks pay where employment terminated on grounds of redundancy or business efficiency**. (Regulation 6 - Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2007) Discretionary Compensation Regulations 2006)

The regulations allow the Authority to award compensation of up to 104 weeks pay to employees who have their employment terminated due to redundancy, or efficiency, or where a joint appointment ends because one of the holders leavers.

The Authority will exercise its discretions as follows:

4.1.1 Redundancy

An employee, who volunteers for redundancy in accordance with the Authority's scheme, shall be awarded a redundancy payment calculated by reference to the redundancy payment matrix under the Employment Rights Act 1996. This provides for a payment based on a maximum of up to 30 weeks pay. The voluntary redundancy payment will include the statutory redundancy payment.

In circumstances where sufficient volunteers for redundancy cannot be obtained following an offer of voluntary redundancy, or where there are reasonable grounds for concluding that such an offer is not likely to be effective or cannot be made, discretionary compensation for redundancy may be awarded as a compensation payment of up to 60 weeks pay, which shall include any statutory redundancy payment. This payment will be calculated by reference to the redundancy payment matrix enhanced by a multiplier of 2.

In all circumstances payments will be made to all employees who have 2 years completed service.

4.2.2 Efficiency of the Service and Ending of Joint Appointments

An employee who leaves on efficiency grounds may be awarded a compensation payment of up to 60 weeks payment, based upon actual weeks pay. Each case will be considered individually and a decision made upon the merits of its case. Normally they will only be approved where it can be demonstrated to be in the employer's interest to do so unless there are special factors which justify a departure from such a policy.

These arrangements will also apply to situations where a joint appointment ends because one of the holders leaves.

In all circumstances payments will be made to all employees who have 2 years completed service.

5 **Reduction of Annual Compensation and Effect of Cessation of New Employment** (Regulations 17 and 19 - The Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2006)

5.1.1 Regulation 17 - On re-employment, the employing authority must ensure that the annual rate of new pay plus the financial benefits under the pension regulations are no greater than the annual rate of pay had the person remained in the terminated post.

5.1.2 Regulation 19 - Where a person who has been awarded a credited period has ceased to hold a new employment in which they were a Scheme member or an assumed member, and the total membership for the purpose of calculating under the Pension Regulations exceeds the total membership which would have been used for the purpose of that calculation if the person had held the terminated employment until their 65th birthday, the employing authority must reduce their annual compensation by such amount as they consider appropriate.

5.1.3 A reduction in pension or full abatement as appropriate will occur, the operation of which is delegated to the Chief Fire Officer.

6 **Early Payment of Pension Benefits and Waive Any Reduction to Early Retirement Benefits** (Regulation 31 of the LGPS 1997 as amended by Regulation 30(2) and 30(5) of the LGPS Benefits, Membership and Contributions Regulations 2007).

6.1 Under this regulation a member of the LGPS can apply for voluntary early retirement if they are 50 years of age or over. If they are under 60 the agreement of their employer is needed.

6.2 All applications in accordance with these Regulations for the Authority's consent to an election for immediate payment of retirement benefits and/or for the Authority's agreement, including the agreement to waive any benefit reductions, will be considered individually and a decision made on the merits of each case. Normally, applications will be refused unless approval can be demonstrated to be in the employer's interests (financial or otherwise) and there are exceptional circumstances by reason of which approval can be objectively justified. Where applications for release are made on compassionate grounds, retirement benefits will not be reduced.

7 Regulation 52 of the LGPS 1997

7.1 This regulation allows the Authority to award up to a maximum of 6 2/3rds added years to members of the LGPS, known as augmentation.

7.2 This discretion will not be exercised.

8 **Contributions Payable by Active Members** (Regulation 3 - The LGPS (Benefits, Membership and Contributions) Regulations 2007)

8.1 Each active member shall make contributions to the Scheme at the contribution rate from their pensionable pay in each employment in which they are an active member. The appropriate administering authority may decide the intervals at which the contributions are made. Contributions are currently payable in accordance with the timing and frequency of salary or ad-hoc payments.

9 **Power of Employing Authority to Increase Total Membership of Active Members** (Augmentation) (Regulation 12 - The LGPS (Benefits, Membership and Contributions) Regulations 2007)

9.1 This Discretion will not be exercised.

10 **Power of Employing Authority to Award Additional Pension** (Regulation 13 - The LGPS (Benefits, Membership and Contributions) Regulations 2007)

10.1 This Discretion will not be exercised.

11 **Discretion to Extend the Time Limit to Combine Previous Local Government Pension Scheme (LGPS) Service** (LGPS Administration Regulations 2008 Regulation 16)

11.1 This discretion with evidence allows the Authority to extend the 12 month time limit for members to aggregate two periods of LGPS membership, beginning with the date he/she became an active member, in circumstances beyond the member's control, or where it is in the employer's interest to do so.

12 **Discretion to Extend the Time Limit to Combine Previous Pension Scheme Service (Non LGPS Service**) (LGPS Administration Regulations 2008 Regulation 83)

12.1 The discretion to extend the 12 month time limit for members to aggregate periods of service which are in respect of transfers of service from non LGPS Pension Funds, be delegated to the Chief Fire Officer/Chief Emergency Planning Officer in consultation with the Finance Officer.

13 **Establishment of Shared Additional Voluntary Contributions (AVCs) Scheme** (Regulation 15 - The LGPS (Administration) Regulations 2008)

13.1 This Discretion will not be exercised.

14 ***Deduction and Recovery of Members Contributions*** (Regulation 45 - The LGPS (Administration) Regulations 2008)

14.1 An employing authority may deduct from a person's pay any contributions payable by them under these Regulations or the Benefits Regulations.

15 **Election to Pay Optional Contributions** (Regulation 22 - The LGPS (Administration) Regulations 2008)

15.1 A scheme member may elect to pay optional contributions to cover a period of authorised absence from duty providing the option is made within 30 days of return to work/cessation of employment or such longer period as the employer allows. This Discretion is delegated to the Chief Fire Officer.

16 **Refund of Pensions Contributions** (Regulation 45 The LGPS (Administration) Regulations 2008)

16.1 Where a scheme member is paid a refund of pension contributions, the employer must pay a Contributions Equivalent Premium (CEP). An element of this is recovered from the refund paid to the scheme member. The balance may be recovered from the fund. This Discretion is delegated to the Chief Fire Officer.

17 **Exclusion of Rights to Return of Contributions** (Regulation 47 The LGPS (Administration) Regulations 2008)

17.1 A person is not entitled to a repayment of contributions under Regulation 46 (Rights to return of contributions) if they left employment because of an offence of a fraudulent character, or because of grave misconduct, in connection with the employment. Where this applies, the employing authority may direct the payment out of the appropriate fund to the person, or in the case of a fraudulent character, to the person or their spouse, civil partner, nominated co-habiting partner or any dependant of them, of a sum equal to all or part of their contributions. This Discretion is delegated to the Chief Fire Officer.

18 **Forfeiture of pension rights after conviction of employment-related offences** (Regulation 72 The LGPS (Administration) Regulations 2008)

18.1 If a scheme member is convicted of, and ceases employment as a result of an offence in connection with their employment which was gravely injurious to the State or is liable to lead to a serious loss of confidence in the public service, the employer can apply to the Secretary of State for the issue of a forfeiture certificate. If the Secretary of State issues a certificate the employer may direct that any of the person's rights be forfeited. This Discretion is delegated to the Chief Fire Officer.

19 **Interim Payment Directions** (Regulation 73 The LGPS (Administration) Regulations 2008)

19.1 Where the Secretary of State has issued a forfeiture certificate but the employer has not applied the certificate nor notified the scheme member of an award of benefits under the LGPS the employer may direct that interim payments are made out of the Pension Fund until such time as it decides to apply the forfeiture certificate or to make an award of benefits This Discretion is delegated to the Chief Fire Officer.

20 **Recovery or retention where former member has misconduct obligation** (Regulation 74 The LGPS (Administration) Regulations 2008)

20.1 Where a member ceases employment in consequence of a criminal, negligent or fraudulent act or omission in connection with that employment and has incurred a monetary obligation arising out of that omission to the employing authority and is entitled to pension benefits under the LGPS, the employer may recover the amount of monetary obligation or the value of the members pension rights, if less (other than transferred in pension rights) from the Pension Fund and reduce the members benefits accordingly This Discretion is delegated to the Chief Fire Officer.

21 **Transfer of sums from the pension fund to compensate for former member's misconduct** (Regulation 76 The LGPS (Administration) Regulations 2008)

21.1 Where a member ceases employment in consequence of an offence involving fraud or due to grave misconduct in connection with that employment, and the employer has suffered a direct financial loss arising from the offence or misconduct, and the member is entitled to benefits under the LGPS and a forfeiture certificate has been applied, or the pension member is entitled to a refund of contributions, the employer may direct that the direct financial loss (or the refund of contributions, if less) be recovered from the pension fund. This Discretion is delegated to the Chief Fire Officer.

22 Reporting and Approval Arrangements

22.1 In order to demonstrate 'prudence and propriety' it is important to have in place a robust reporting mechanism to ensure that fully informed decisions are taken. The following sets out the procedures to be followed.

22.2 To ensure a fair and consistent application of discretionary award across the Authority, in all cases where redundancies are proposed or exit or retirements on the grounds of efficiency, proposals will be referred to the Chief Fire Officer who will consult with the Finance Officer and Personnel Advisor in the first instance. The following arrangements will then apply:

22.2.1 In cases of early retirement on the grounds of efficiency and the exercising of the Discretionary Elements for all 'Green book' employees, the Human Resources Committee will be requested to consider the full circumstances of each case. All such requests should be submitted to the Chief Fire Officer in the first instance.

22.2.2 In cases of early retirement on the grounds of redundancy, the Human Resources Committee will be requested to consider the full circumstances of each case. All such requests should be submitted to the Chief Fire Officer in the first instance.

Tyne and Wear Fire and Rescue Authority
Creating the Safest Community
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Item No 7

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

MEETING: 25th MARCH 2013

SUBJECT: BUSINESS CONTINUITY MANAGEMENT - ACHIEVEMENT OF CERTIFICATION TO BS25999-2:2007

JOINT REPORT OF THE CHIEF FIRE OFFICER, THE CLERK TO THE AUTHORITY, THE FINANCE OFFICER AND THE PERSONNEL ADVISOR TO THE AUTHORITY

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1 INTRODUCTION

1.1 The purpose of this paper is to report TWFRA's success in achieving accreditation to BS25999-2:2007 following a formal assessment by the British Standards Institute (BSI), the first Fire Authority to achieve accreditation across the whole of the organisation's activities. The paper also sets out the ongoing commitment under the Standard to regular assessment in support of continuous improvement.

2 BACKGROUND

2.1 Business Continuity Management (BCM) concerns the systems an organisation has in place to continue operating in the face of a wide range of business disruptions. The risks could be from the external environment such as power outages; severe weather; pandemic influenza or from within an organisation for example systems failure or loss of essential equipment.

2.2 All businesses need to have adequate BCM arrangements in place, however it is considered essential for emergency services, operating 24/7 in risk critical environments, to have strong BCM arrangements. The Civil Contingencies Act 2004 requires TWFRA as Category 1 responders to *'put in place arrangements to ensure that they continue to exercise their functions in the event of an emergency so far as is reasonably practicable'*, and continue to perform our everyday critical business functions, with particular emphasis on those functions which serve the public. (Emergency Preparedness pg.76, 6.11).

2.3 FRAs are encouraged through the same statutory guidance to align their BCM arrangements to BS25999 since it provides a specification for use by internal and external parties to assess an organisation's ability to meet regulatory requirements in relation to Business Continuity. It contains only those requirements that can be objectively audited and certification to the standard will assure interested parties that this service can continue to react appropriately to any business interruption.

2.4 In 2010, the service management team agreed to align its BCM approach to BS25999 and to work towards accreditation under the scheme. This has involved a wholesale review of processes, a Stage 1 desktop assessment (March 2012), and a full Stage 2 assessment later in the year.

2.5 This 5 day assessment involved site visits and interviews across the service to confirm that Business Continuity Management (BCM) was fully embedded. In addition to the visits there was a rigorous assessment of our BCM plans, processes and procedures. Confirmation was received in January 2013 that accreditation had been achieved until August 2015.

3 IMPACT AND ONGOING COMMITMENT

3.1 The assessment confirmed the adequacy and effectiveness of the controls applied to operational activities, along with the effective implementation of risk reduction that safeguarded the interests of stakeholders. The process has been rigorous and demanding, but has had great benefits in bringing together staff from across the organisation to review, test, exercise and improve our arrangements. A number of "real" incidents such as floods and power outages during the period we were preparing for the assessment also provided opportunities to test and improve arrangements.

3.2 It was noted that throughout the assessment that the Service demonstrated that we had the necessary resilience to deal with periods of disruption to our normal operations. It was also recognised that lessons learnt through experience of disruption and planned exercising were incorporated into the BCMS ensuring we were better prepared for future disruptions.

3.3 There is a continuing "surveillance audit" process to maintain accreditation and promote improvement of the BCM. Continuing assessment visits will take place every 6 months and be of 2 days duration. There is also a new ISO standard ISO22301:2012 – Societal Security – Business Continuity Management Systems which will eventually supersede BS25999. The continuing assessment visits will facilitate a transition from BS25999 to ISO22301 without the need for further audits. This transition is scheduled for around August 2014.

3.4 Staff will be maintaining involvement in the BCM process and undergoing continuation training to ensure that preparedness is maintained. An e learning package has been designed and rolled for operational crews and this package will be modified and provided for non-operational staff in the near future. A schedule of BCM exercises are also planned for 2013/14 to robustly test the business continuity plans.

3.5 Since introducing a formal recording procedure for business interruptions and exercises via the Quality Assurance Database, we plan to enhance the use of the database to develop the reporting function to identify trends and improvements to our BCMS. BSI recognised and endorsed the work that had been done to incorporate BCM within the Quality Assurance Database during the audit.

4 LEARNING AND DEVELOPMENT

4.1 This process has helped the whole organisation to learn more about business continuity and will continue to do so as set out in section 3.4.

5 LEGISLATIVE IMPLICATIONS

5.1 BS25999 accreditation assists us in meeting our statutory duties under the Civil Contingencies Act 2004, as noted in 2.2.

5.2 Emergency Preparedness (Guidance on Part 1 of the CCA) currently endorses BS25999 as a recommended framework to follow to fulfil the business continuity duties of the Act specifying that '*Category 1 responders must have regard to this material*' and may only use other models to deliver statutory requirements *'where there are compelling reasons for doing so'*.

6 ICT IMPLICATIONS

6.1 Although there are no direct ICT implications in this report, ICT is key in maintaining Business Continuity in our organisation and this has been taken into account in our own systems as tested under the accreditation process..

7 FINANCIAL IMPLICATIONS

7.1 The cost of on-going continuing assessment is estimated as £3.7K per year and this has been included within the Corporate Development budget.

8 EQUALITY & FAIRNESS IMPLICATIONS

8.1 There are no equality and fairness implications envisaged in respect of this report.

9 RISK MANAGEMENT IMPLICATIONS

9.1 BCM systems assist in mitigating risk to continuous service delivery. It is considered that the alignment of BCM and Corporate Risk Management through the back office review will further improve the management of these agendas.

10 HEALTH & SAFETY IMPLICATIONS

10.1 There are no health and safety implications envisaged in respect of this report.

11 CONSULTATION

11.1 Consultation has taken place with representatives of the British Standards Institute (BSI). Staff affected by surveillance visits assessments will be fully involved in planning these, and managers are responsible for ensuring that business continuity arrangements for their own service areas are subject to ongoing review.

12 RECOMMENDATIONS

12.1 Members are requested to:

I. Note the progress made in achieving BS25999

II. Endorse and support the necessary work to maintain this standard

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BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- British Standard - Business continuity management Part 1: Code of Practice (BS25999-1:2006)
- British Standard - Business continuity management Part 2: Specification (BS25999-2:2007)
- ISO Standard 22301:12 Societal Security – Business Continuity Management Systems – Requirements
- Civil Contingencies Act (2004)
- Emergency Preparedness – Guidance on Part 1 of the CCA 2004

Item No8

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

MEETING: 25th MARCH 2013

SUBJECT: ENVIRONMENT STRATEGY 2010-15: PROPOSALS FOR THE FUTURE

JOINT REPORT OF THE CHIEF FIRE OFFICER, THE CLERK TO THE AUTHORITY, THE FINANCE OFFICER AND THE PERSONNEL ADVISOR TO THE AUTHORITY

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1 INTRODUCTION

1.1 The purpose of this report is to assess the impact of the Environment Strategy over its first three years, and to seek approval to roll forward capital investment in environmental initiatives for a further two years, 2013-15.

2 BACKGROUND

2.1 TWFRA has a long standing commitment to environmental responsibility and sustainability. The current Environment Strategy was agreed by Authority in March 2010 with a progress update given in November 2011, and focuses on actions the Authority can take to minimize the negative impact of its activities on the environment. The Environment Strategy sits within the Authority's overall approach to helping deliver sustainable communities as set out in the Strategic Community Safety Plan and IRMP.

2.2 The strategy has a practical focus and three key objectives:

- to use natural resources efficiently and reduce overall consumption (with a 22% reduction target in CO_2 emissions from April 2010 to March 2015)
- to reduce pollution and waste through our management of operational activities, buildings and fleet
- to promote engagement of the whole organisation in improving our environmental impact, and work with partners to improve environmental sustainability

2.3 In order to identify the most cost effective actions to reduce emissions, TWFRA worked in partnership with other FRAs in the region, the Regional Improvement and Efficiency Partnership (NEREIP) and the Carbon Trust whose technical expertise was invaluable in establishing impact and payback periods for a number of potential actions. Building adaptations were identified as the best investment for the first Action Plan, along with a programme of behaviour change to reduce energy consumption.

2.4 The potential actions were fully costed and the implications taken into account in the Medium Term Financial Strategy and Capital Programme through an earmarked reserve of £509K. Between 2010-11 and 2012-13, this has funded a range of environmental adaptations across the majority of premises, focusing on TWFRA owned assets.

2.5 These include a comprehensive insulation programme; replacement of boilers; LED lighting across our sites; virtualization of servers and the installation of Solar PV at Station 21 (funded by regional grant. This adaptation was not shown to have such a good payback period as other interventions and has therefore not formed a core part of the programme).

2.6 Work was also undertaken to secure more energy efficient engines in the procurement of new fire appliances; other actions have not focused on the fleet though trials have taken place on a number of electric and hybrid vehicles.

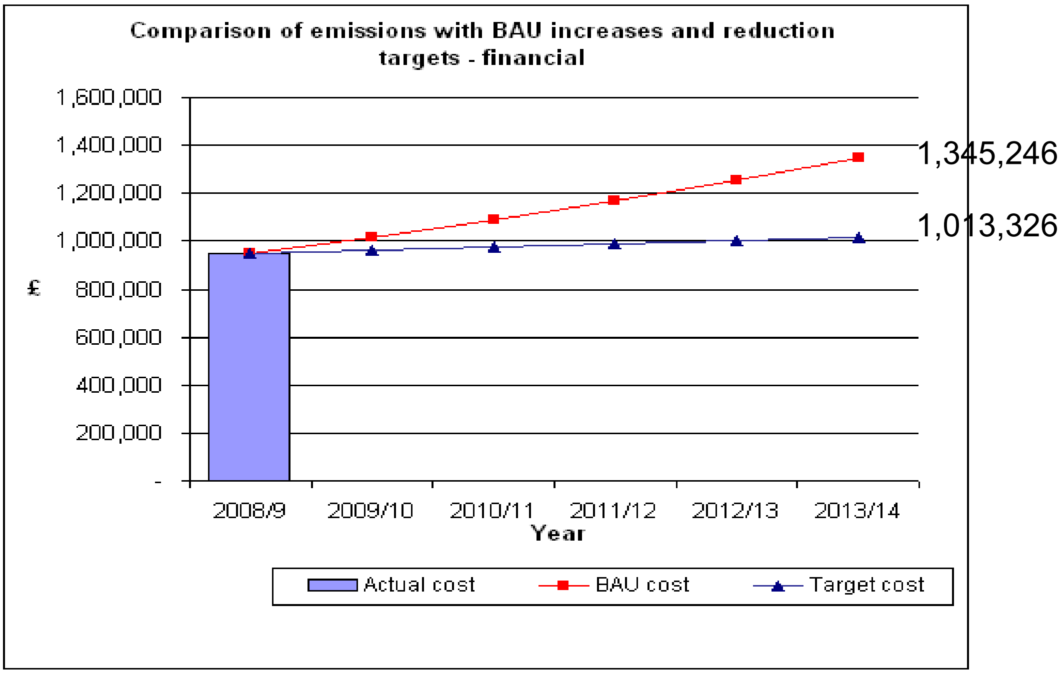
3 IMPACT TO DATE

3.1 The primary focus of the programme is reducing carbon emissions. The table below shows that the Authority achieved a reduction in buildings emissions from 3,545 tonnes in the baseline year, to 2880 tonnes in 2011/12, a reduction of 18.7% representing good progress against the target of a 22% reduction by 2015.

Assets	2008/9 tonnes	2011/12 tonnes	Difference tonnes	Difference %
TWFRA owned stations (11)	1701	1119	582	34%
PFI stations (6)	993	987	6	1%
TSC	193	153	40	21%
HQ/Training Centre	658	621	37	6%
Total	3545	2880	665	18.7%

3.2 This period has also seen a 50 tonne (7%) reduction in carbon emissions from fire appliances. As noted in 2.3, the initial focus has been on buildings and the emissions of the remainder of the fleet and cars used by staff on a casual/essential basis remain broadly the same.

3.3 Another key deliverable from the programme was cost reduction. Analysis of the cost difference between no action and investment in carbon reduction was calculated as part of the decision to go ahead. This is illustrated in the projection below, taken from the Environment Strategy based on work by the Carbon Trust, which estimated a reining in of expected increases in expenditure based on a projected 8.4% increase in fuel costs. The chart shows the difference between projected cost increases if we did nothing (Business as Usual, BAU) and a much shallower increase in revenue costs as a result of capital investment:



3.4 As a result of the actions taken so far, performance has exceeded this, with utilities bills actually decreasing despite significant rises in gas and electricity tariffs. Actual spending on fuel at fire stations only is shown below based on fuel consumption and bills paid.

Cost reductions through energy efficiency based on fuel consumption and tariffs (bills paid)			
Year	Gas	Electricity	Total
2008/9	126,000	184,100	
2009/10	100,000	132,600	
2010/11	120,000	117,700	
2011/12	92,400	90,600	
Over 4 years	**33,600**	**93,500**	**127,100**

3.5 This performance is pleasing with the primary aim of reducing emissions being met, accompanied by reduced utility bills proving the concept of the "invest to save" carbon programme, making good use of capital to assist in reducing revenue pressures. Clearly this is very welcome at a time of further revenue reductions.

4 NEXT STEPS

4.1 The current Environment Strategy runs for a further year although the capital earmarked to support it will have been spent (as planned) by the end of 2012-13. The Service will continue the "softer", behavioural aspects of carbon reduction through the Environment Steering Group and Carbon Champions; however, it is considered that further significant reductions in carbon emissions and energy costs from buildings will not be possible without further capital investment.

4.2 A number of further potential capital investments have been identified which could not be funded through the capital made available to date. These investments would continue to be made on an 'invest to save' basis and would provide acceptable payback periods and enable further significant reductions in energy/fuel usage and carbon emissions to be realised, helping the Authority achieve its overall target of 22% by March 2015. The three key areas for investment would be:

- Extension of LED lighting programme across all TWFRA owned buildings
- Rationalisation of non-operational fleet to provide more fuel efficient and cost effective vehicles
- Extension of boiler replacement programme on older sites

4.3 It is suggested that this investment can be supported through realignment of the Authority's capital reserves as was done in 2010.

LED Lighting

4.5 It is proposed to change all internal and external lighting across the TWFRA owned elements of the Estate to LED units. A number of site specific LED projects have been undertaken to date and the evidence is compelling and would support a more extensive project to cover all TWFRA owned buildings. As an example the LED lighting fitted to the appliance room area at West Denton alone will save the Authority £1,190 per year and produce 7.81 tonnes less of carbon per year.

4.7 The estimated cost to fit internal LED units across the TWFRS owned estate would be £227,000. The estimated payback period for TWFRA owned premises would be 3 years for external lighting and 2 years for internal lighting based on current data with significant reductions in carbon emissions. The estimated cost is the top end figure and includes sites such as Marley Park and Rainton Bridge which could be fitted with LED Lighting as an element of a new build or conversion programme and this could be agreed at design stage. This project would be delivered by Estates Department staff under the guidance of the Environment Steering Group (ESG) and would not require any external contractors thus reducing the overall cost.

4.8 Each LED unit requires approximately 40/45% less energy than conventional lighting, carries a 5 to 7 year warranty and has a life expectancy of 80,000 to 100,00 hours which significantly reduces maintenance costs including parts and plant hire. The carbon reduction figures are extremely attractive and we would be expecting reductions of hundreds of tonnes per year.

Vehicles

4.10 Further reductions in emissions from the fleet may be expected from 2013 following the completion of the ongoing White Fleet review, which is being carried out based on the outcomes of the Back Office Review in terms of reduced staff.

4.11 The Environment Strategy will need to be refreshed from 2014-15 and it is suggested that at this time the focus on vehicle emissions should become more central, making use of the Green Fleet Review which was undertaken when the Strategy was developed.

4.12 The improvements in technology over recent years and the availability of supporting research has identified measurable benefits in the use of electric vehicles and also applications of hybrid technology. Members will be aware that a number of electric and hybrid vehicles have been trialled and a vehicle charging point has been sited at SHQ.

4.13 Rationalisation of the non-operational fleet over the coming years will present opportunities to invest in more fuel efficient and cost effective vehicles and this could be a combination of full electric, purpose built hybrid or retro-fit hybrid. This investment could also include provision of further 'charging points' at key sites. It is proposed to set aside £80K to enable investment in making the fleet more energy efficient over the coming years, taking advantage of developments in technology to secure best value.

Boiler Replacement

4.14 New heating systems and boilers have formed a core part of the programme so far with energy efficient boilers installed at Stn W Birtley, Stn E Gosforth, Stn G Wallsend and Stn N Millfield, with immediate impact on carbon emissions and costs and a payback period of 8 years.

4.15 All heating systems will progressively deteriorate and become notably inefficient after 10/15 years. It is proposed that sufficient funding is made available to install energy efficient boilers in the remaining TWFRA owned stations (excluding West Denton since any refurbishment of this works to this site are included in the capital programme to tie in with the replacement of the Command and Control system), at an estimated cost of £200K.

5 MANAGEMENT OF THE PROGRAMME

5.1 Spending relating to this programme will be managed alongside all other capital projects through the Asset Management Group. The Environment Steering Group (ESG) will continue to provide an effective forum for discussion, debate and ultimately decisions relating to the best investments for reductions in carbon emissions and energy expenditure. The ESG has also acted as an effective 'project board' to successfully oversee delivery of key projects to date.

5.2 It is proposed that the ESG continues to provide the key role detailed in 5.1 and consequently the group would provide the necessary guidance and leadership to ensure the effective management of budgets and projects.

5.3 The group has also promoted energy efficiency through the 'Carbon Champions'; who have helped achieve positive behavioural change which has helped reduce our carbon footprint.

6 **LEGISLATIVE IMPLICATIONS**

6.1 At present there is a legislative requirement / mechanism to record organisation utility use / emissions. It is also expected that, in the future the national Carbon Reduction Commitment (CRC) threshold limits may be lowered which will place further requirements upon smaller organisations currently exempt, including TWFRS.

7 **ICT IMPLICATIONS**

7.1 Effective use of ICT impacts positively on the carbon footprint and energy consumption of the service. A number of current and future activities within the ICT strategy and development programme, including the consolidation of servers, will assist with the delivery of this Strategy.

8 **FINANCIAL IMPLICATIONS**

8.1 This report seeks approval to refresh the earmarked Carbon Management Plan Reserve by setting aside £507K to cover the period 2013-15. Projected spending is as follows:

Year	**Capital**
2013/14	£80,000 – investment in more fuel efficient/cost effective vehicles £227,000 – Extend LED lighting across the estate – may be delivered across two financial years
2014/15	£200,000 – Boiler replacement on older sites

9 **EQUALITY & FAIRNESS IMPLICATIONS**

9.1 There are no equality and fairness implications envisaged in respect of this report.

10 **RISK MANAGEMENT IMPLICATIONS**

10.1 Although good progress has been made in reducing our carbon footprint with associated financial savings, there is a risk that further progress will be limited by lack of further investment.

10.2 Investing capital to save revenue assists in mitigating our corporate risks relating to reduced revenue budgets under the Government's Spending Review. From a business risk perspective this is low risk with payback guaranteed with attractive timescales.

11 HEALTH & SAFETY IMPLICATIONS

11.1 There are no health and safety implications envisaged in respect of this report.

12 RECOMMENDATIONS

12.1 Members are requested to:

I. Note the progress made in delivering the Environment Strategy
II. Approve further capital investment in carbon reduction initiatives as set out in section 8
III. Receive further reports as required

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- Environment Strategy
- Carbon Trust – Carbon Management Plan
- Commitment and Guiding Principles for Environmental and Sustainable Improvement
- Energy Saving Trust – Fleet Review

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

MEETING: 25TH MARCH 2013

SUBJECT: CORRESPONDENCE LIST FOR INFORMATION

The following items of correspondence have been received since the last meeting of the Authority, and are not subject to a separate report. Copies are available from the Chief Fire Officer on request:

i) FRSB 31/2013

This Bulletin contains:

Competence of Fire Risk Assessors;

Emergency Service Mobile Communications Project Update

ii) FRSI 11/13

This Bulletin contains:

Completion of the Sale of the Fire Service College

iii) NJC 1/13

This Bulletin contains:

Technical Advisory Panel (Mid and West Wales – 29th January 2013)