

WYFRA	FINANCE AND RESOURCES COMMITTEE	12 JULY 2013	ITEM NO 5
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REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: TO PRESENT A QUARTERLY OVERVIEW OF THE FINANCIAL POSITION OF THE AUTHORITY.

RECOMMENDATIONS:

- (A) THAT MEMBERS NOTE THE CONTENT OF THE REPORT
- (B) APPROVE THE REVISED REVENUE BUDGET
- (C) APPROVE THE REVISED CAPITAL PLAN

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: NONE

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**BACKGROUND PAPERS
OPEN TO INSPECTION:**

SUMMARY

The purpose of this report is to present an overview of the financial performance of the Authority of the first quarter of the current financial year. The report is split into four sections dealing with revenue expenditure, capital expenditure, treasury management and debtors and creditors.

1. **BACKGROUND**

The purpose of this report is to present an overview of the financial performance of the Authority of the first quarter of the current financial year. The report is normally split into four sections dealing with revenue expenditure, capital expenditure, treasury management and debtors and creditors, however, for the duration of the scheme a separate section will be included which will monitor progress on the Joint Control Project.

In addition to the quarterly report to the Finance and Resources Committee, reports on revenue and capital expenditure are also prepared for Management Board, senior managers and cost centre managers to enable them to manage their individual budgets.

SECTION 1 REVENUE EXPENDITURE MONITORING

1. INTRODUCTION

Expenditure is monitored throughout the year against the approved revenue budget with reports being considered by each meeting of the Management Board and each meeting of the Finance and Resources Committee. The purpose of the report is to monitor progress against the approved revenue budget; provide an early forecast outturn for the financial year; provide an explanation of any major variations, and to show the impact of any variations on the revenue balances of the Authority.

This is the first report of the financial year and is based on expenditure for the first three months of the year. Clearly this is very early in the financial year and forecasts are based on previous year's expenditure patterns; as the year progresses changes to the forecast will emerge.

2. REVENUE BUDGET REVISION

When the revenue budget is approved an amount is included in contingencies for future pay and price increases. During the course of the financial year the budget is revised to take account of allocations from this fund. In the first three months there has been one allocation from contingencies.

Insurances premiums +£171,000

This is the increase in liability insurance following an EEC tender process principally as a result of the two large claims in 2011/2012. It is important to note that despite this significant increase, coupled with an increase in the cost of fleet insurance, the overall cost of insurance is similar to the premium paid in 2005/2006. This increase is within the amount included within contingencies to meet the cost of insurance renewals.

3. EXPENDITURE MONITORING

It is very early in the new financial year and consequently expenditure patterns have yet to develop and for that reason the revenue forecast concentrates on salaries expenditure.

Overall it is expected that the Authority will underspend its budget in the current financial year, principally as a result of the dispensation on precept allowed in the Local Government Finance Settlement. The Authority was able to increase its precept by £4.99 at band d generating additional precept in of £2.9m per annum. This allowed it to address some of the longer term financial issues which have been identified in the medium term financial plan. Despite this the Authority will still have to identify additional savings of over £8.5m by 2018 and consequently continues to look for further efficiencies.

In the first quarter of the financial year the full implementation of the fundamental review, coupled with the increase in fire-fighter leavers in the last quarter of 2012/2013, has resulted in a forecast underspending of £0.9m in the current financial year. A summary of the variances is shown in the table below.

	FORECAST	APPROVED BUDGET	VARIANCE
	£000	£000	£000
Wholetime firefighters	£55,142	£54,448	-£694
Support staff	£7,485	£7,774	-£289
Capital financing charges	£6,973	£6,823	+£150

3.2 Whole-time Fire-fighters -£694k

When the budget was prepared in December 2012, it was based on actual staff in post adjusted to take account of forecast retirements profile which totalled 1284 full time posts at 31 March 2013. The actual number in post at 1 April 2013 was 1273 posts as a result of an additional 11 leavers, in addition the actual number of leavers in the first quarter of the current financial year has exceeded the forecast. This reduction in fire fighter strength accounts for the underspending.

3.3 Support staff -£289k

There are currently a number of vacant posts in the revised support staff establishment which have resulted in this under spending.

3.4 Capital Financing Charges +£150k

As part of the revenue budget process the budget for capital financing charges was reduced by £385k to reflect the fall in interest rates and the extended use of short term variable rate loans. The current projection is for an overspending of £150k although this may change as the capital expenditure profile changes during the course of the financial year.

4. IMPACT ON REVENUE BALANCES

Description	General Reserve
Balance at 1 April 2013	+£10.84 m
Planned increase	+£ 0.94 m
Impact of forecast	+£ 0.83m
Forecast balance at 31/3/2014	+£12.61m

2013/2014 REVENUE EXPENDITURE MONITORING
JULY 2013

EXPENDITURE	PAYMENTS TO DATE	EXPEND FORECAST	APPROVED BUDGET	VIREMENT	REVISED BUDGET	FORECAST VARIANCE
	£000	£000	£000		£000	£000
Wholtime firefighters	£13,420	£54,448	£55,142		£55,142	-£694
Retained firefighters		£2,328	£2,328		£2,328	£0
Firefighters pensions		£1,970	£1,970		£1,970	£0
Brigade control	£442	£1,834	£1,839		£1,839	-£5
Support staff	£1,760	£7,485	£7,774		£7,774	-£289
Other employee expenses		£709	£709		£709	-£0
Premises expenses		£3,034	£3,034		£3,034	£0
Transport costs		£2,292	£2,292		£2,292	£0
Supplies and services		£5,008	£5,008		£5,008	£0
Insurance		£960	£789	£171	£960	£0
Lead authority charges		£288	£288		£288	£0
Capital financing charges		£6,973	£6,823		£6,823	£150
Provision for pay & prices		£1,222	£1,393	-£171	£1,222	£0
Total Expenditure		£88,551	£89,390	£0	£89,390	-£839
Grants	£0	£1,481	£1,481	£0	£1,481	£0
Other Income		£1,197	£1,197	£0	£1,197	£0
Total Income		£2,678	£2,678	£0	£2,678	£0
Net expenditure		£85,873	£86,712	£0	£86,712	-£839

SECTION 2 CAPITAL EXPENDITURE MONITORING

INTRODUCTION

At its meeting on 21 February 2013, the Authority approved a five year capital programme of £45.4m which included schemes to the value of £13.709m for the current financial year.

1 SCHEMES SLIPPED BETWEEN FINANCIAL YEARS AND CAPITAL VIREMENT

The nature of major capital schemes means that expenditure often straddles a number of financial years, particularly the case in major building schemes and the development of major information systems. This is particularly relevant in the current position where the Authority is planning the construction of 8 new fire stations. In total schemes totalling £2.59m which were not completed in 2012/2013, have been added to the 2013/2014 capital plan increasing it to £16.307m

At the Authority AGM in 2010 the Management Board was given delegated power to approve individual virement between capital schemes of up to £100,000. Details of any approvals will be reported to committee throughout the year as part of this report.

2 CAPITAL PAYMENTS 2012/2013

The actual capital payments to date total £1.462m most of which is on schemes which commenced in the previous financial year. Details of expenditure on individual schemes are included in Appendix 2.

3 APPROVALS UNDER FINANCIAL PROCEDURE 3.11

Under financial procedures 3.11 the Management Board can approve expenditure on schemes in the approved capital plan up to an amount of £100,000. This approval is subject to approvals being reported to the Finance and Resources Committee. Details of schemes approved by the Management Board are attached in Appendix 1.

SECTION 3 TREASURY MANAGEMENT

TREASURY MANAGEMENT

At its meeting on 21 February the Authority approved a treasury management strategy as part of the overall Revenue Budget and Capital Planning process. This strategy sets out how the Authority will deal with its cash flows arising from the capital investment plan and revenue budget. The strategy sets out both the Borrowing Strategy and Investment Strategy that the Authority will follow for the period. At subsequent meetings there will be a comparison of activity against the treasury management strategy, including a detailed half yearly report. Because of the proximity to the start of the financial year this report just provides details of the treasury management activity during the first three months of the year.

3.1 OVERALL ECONOMIC POSITION

Outlook for the economy and interest rates

The Bank of England's Monetary Policy Committee has continued to maintain base rate at 0.5% and also to use quantitative easing to try and stimulate the economy into growth. The central bank rate is unlikely to move significantly in the near future although market rates such as LIBOR are increasing, albeit very slowly.

3.2 BORROWING

The Authority has not taken on any new long term borrowing in the current financial year and has again taken advantage of the low rates offered through short term variable rate loans. The Authority has no temporary borrowing outstanding at 30 June 2013 and the average balance for the first three months was £0.9m

The Authority's treasury advisors will continue to monitor rates and may take out further long term loans later in the year however, the Authority will receive a big cash injection in the form of pension grant at the beginning of July which will offset the need for any new borrowing in the short term.

LOBO (Lender Option Borrower Option)

In May 2006 the Authority took a LOBO (lender option borrower option) loan of £2.0m for a fixed period of 60 years at a rate of 3.58% fixed for the first 5 years of the loan. After this period the lender can review the interest rate at 5 yearly intervals and the Authority has the option to either repay the loan or accept the new rate. At the first interest rate review in May 2011 the lender did increase the rate; the next interest rate review will be in 2016. The tables below provide an analysis of the long term borrowing of the Authority. It can be seen that the only transaction has been the repayment of principal.

(a) Long-Term Borrowing as at 30 June 2013

Lender	£000s
PWLB	52,737
Dexia Credit Local	2,000
Total	54,737

(b) Movement in Long-Term Borrowing

Long-Term Borrowing	Date	£000s
Opening Balance 1 April 2013		54,816
Repayment of EIP principal	April – June	-79
Balance as at 30 June 2013		54,737

3.3 INVESTMENTS

The total of all investments as at 30 June 2013 was £12.1m. The average balance invested for the period 1 April to 30 June 2013 was £13.4m.

Investments generally are maintained to manage the cash flow requirements of the Authority as it would not be possible to guarantee that the Authority would be able to raise short term borrowing on the money markets to meet a particular payment deadline. The Government have this year changed the proportions of grant paid giving the Authority more grant in the initial part of the year. This, combined with the continuing requirement to invest the balance of a grant (£3.4m) held by the Authority as part of the funding of a joint control centre with South Yorkshire FRA, has led to a higher level of investments than previous years at this time. The Authority also expects to receive the annual pension grant of approximately £22m in July.

Investments as at 30 June 2013

Counterparty	Interest Rate	Maturity Date	Amount £000s
DMO	0.25%	23/07/2013	3,355
Bank of Scotland	0.40%	Deposit a/c	2,609
Aviva Sterling Liquidity Fund	0.35%	Money Market Fund	1,484
Goldman Sachs Liquidity Fund	0.37%	Money Market Fund	1,652
Ignis Sterling Liquidity Fund	0.39%	Money Market Fund	3,000

3.4 Counterparty Monitoring

All investments during the year have been with counterparties approved as part of the Investment Strategy 2013-14 agreed by the Full Authority at the budget meeting in February 2013. Officers will continue to closely monitor the global economic situation to ensure that any exposure to risk is minimised.

3.5 Bank Balance

Target = daily bank balance <£150k

There is a separate report on this agenda dealing with the impact of the downgrading of the Cooperative Bank Credit rating. The Authority's bank balance exceeded the target on one day in June following the unexpected receipt of £300k for part payment for the insurance claim regarding the fire in the stores building.

SECTION 4 DEBTORS AND CREDITORS

The final section of the report deals with the payment of creditors and collection of income from debtors.

1. Payment of Invoices

The prompt payment of invoices is set down in Best Value legislation and as such the Authority is measured on the payment of invoices by a performance indicator. The Authority is required to pay all undisputed invoices within 30 days of receipt, if not suppliers are within their rights to charge the Authority interest on outstanding bills.

The target for the prompt payment of invoices set by central government for 2013/2014 is 100%. In the first two months 97.4% of invoices have been paid within 30days.

2. Outstanding Debt

The Authority receives income for services provided; these include special services, training courses, fire safety certificates, licences for telecom masts on premises. In most cases because of the type of service provided it is not possible to raise a charge in advance of the service and as a consequence debtor accounts are raised.

The level of outstanding debt owed to the Authority to the 30 June 2013 is £54,302 this can be profiled as follows:

Less than 60 days -	£ 31,375
Greater than 60 days -	£ 22,927

The procedure for issuing accounts and debt collection is provided by Kirklees Council under a Service Level Agreement. A summary of the procedure for collecting outstanding debt is detailed below:

21 days	first reminder letter
28 days	second reminder letter
35 days	instigation of debt recovery system

As detailed above, there is currently £22,927 of debt which is at the recovery stage.

APPENDIX 1

Management Board approvals			
Date	Description	Capital Plan	Approved Spend
Apr-13	Silent witness cameras FDS cars	£20,000	£20,000
	Silent witness cameras prime meovers	£100,000	£70,000
	Replacement intrinsically safe radios	£45,000	£45,000
	Water rescue equipment	£15,000	£15,000
	Line rescue equipment	£15,000	£15,000
	Wire cutters	£12,000	£12,000
	Thermal image cameras	£25,000	£25,000
	Lay flat hose	£12,000	£12,000
	Information Technology		
	Server replacement	£110,000	£90,000
	IT hardware	£90,000	£90,000
	Server room equipment	£185,000	£86,000
	Software licenses	£230,000	£100,000
Jun-13	Property		
	FSHQ training centre		£20,000
	Illingworth, odsal, Wetherby energy improvements		£40,000
	Slaithwaite refurbishment		£100,000
	Huddersfield refurbishment		£30,000
	Keighley internal refurbishment		£50,000
	Cleckheaton showers and washing facilities		£50,000
	Wetherby heating		£20,000
	Odsal refurbishment heating		£100,000
	Fire alarm upgrades		£50,000
	Vehicle pits		£30,000
	Health and safety		£40,000
	Diesel tank replacement		£10,000
	Electrical heating		£50,000
	Lighting and power surge		£30,000
	Asbestos removal		£30,000
	Roof replacement		£50,000
	DDA access		£10,000
	Internal fabric refurbishment		£50,000
	Appliance bay doors		£10,000
	Tarmac		£30,000
	External fabric repairs		£30,000
	Kitchen refurbishment		£10,000
	Access control		£50,000
		£890,000	

CAPITAL BUDGET MONITORING 2013/14					
SUMMARY					
Directorate	Original Capital Plan	Virement/ Slippage	Revised Capital Plan	Expenditure 2013/14	Balance Uncommitted
Property services	£2,350,000	£111,100	£2,461,100	£94,479	£2,366,621
IRMP	£6,105,800	£1,683,200	£7,789,000	£144,292	£7,644,709
Information technology	£1,286,000	£49,200	£1,335,200	£171,290	£1,163,910
Transport	£2,185,000	£0	£2,185,000	£290,763	£1,894,237
Service delivery	£1,783,000	£754,600	£2,537,600	£761,407	£1,776,193
	£13,709,800	£2,598,100	£16,307,900	£1,462,231	£14,845,669

**CORPORATE RESOURCES
PROPERTY**

Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Supplies and Transport	£800,000		£800,000	£0	£800,000
Training Centre					
FSHQ Training Centre - Upgrade audio and visual systems in lecture theatre & Conference Room	£20,000		£20,000	£0	£20,000
	£660,000		£660,000	£0	£660,000
General Specific Refurbishments					
Fire Stations (inc Illingworth, Odsal & Wetherby) Environmental and Energy Efficiency improvements	£40,000		£40,000	£0	£40,000
Slaithwaite Fire Station Refurbishment	£100,000		£100,000	£0	£100,000
Huddersfield Fire Station Boiler replacement and solar panel domestic hot water system	£30,000		£30,000	£0	£30,000
Keighley Fire Station internal accommodation refurbishment (inc washing & training facilities)	£50,000		£50,000	£0	£50,000
Cleckheaton Fire Station refurbishment of male washing facilities	£50,000		£50,000	£0	£50,000
Wetherby Fire Station upgrad and refurbishment of heating system	£20,000		£20,000	£0	£20,000
Odsal Fire Station upgrade and refurbishment of central heating and solar panel domestic hot water system	£100,000		£100,000	£0	£100,000
General Strategic Refurbishments					
Upgrading of fire alarm systems	£50,000		£50,000	£0	£50,000
Replacement of old diesel tanks and interceptors	£30,000		£30,000	£0	£30,000
Refurbishment of vehicle pits	£10,000		£10,000	£0	£10,000
Health and Safety improvements	£40,000		£40,000	£0	£40,000
Electrical and heating refurbishment works	£50,000		£50,000	£0	£50,000
Training tower upgrades including lightening and power surge protection systems	£30,000		£30,000	£0	£30,000
Asbestos management and removal	£30,000		£30,000	£0	£30,000
Roof replacement and upgrades including thermal insulation	£50,000		£50,000	£0	£50,000
DDA access	£10,000		£10,000	£0	£10,000
Internal fabric refurbishments to meet reorganisation requirements	£50,000		£50,000	£0	£50,000
Upgrade appliance bay doors	£10,000		£10,000	£0	£10,000
External fabric refurbishment	£30,000		£30,000	£0	£30,000
Replacement and upgrading tarmac and surfaces to drill grounds	£30,000		£30,000	£0	£30,000
Fire station kitchen installations	£10,000		£10,000	£0	£10,000
Access control and security improvements	£50,000		£50,000	£0	£50,000
Slipped schemes					
Oakroyd Hall Major refurbishment		£1,800	£1,800	£300	£1,500
Phased programme of washing & welfare refurbishments - Odsal & Cleckheaton		£2,300	£2,300	£1,500	£800
DDA access improvements (lift retention)		£3,700	£3,700	£0	£3,700
Asbestos removal and major environmental improvements		£3,700	£3,700	£0	£3,700
Replacement of roof to old gym building		£59,100	£59,100	£53,539	£5,561
Slaithwaite - replacement roof & internal refurbishment		£3,500	£3,500	£0	£3,500
Health & Safety improvements		£17,000	£17,000	£12,873	£4,127
Electrical, heating and other services equipment replacement		£4,100	£4,100	£0	£4,100
Asbestos management & removal		£1,500	£1,500	£0	£1,500
DDA access improvements		£6,900	£6,900	£4,800	£2,100
Access control & security improvements		£7,500	£7,500	£1,528	£5,972
Other schemes				£19,939	-£19,939
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£2,350,000	£111,100	£2,461,100	£94,479	£2,366,621

IRMP					
Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Budget Remaining
IRMP NEW STATIONS PHASE 1					
South Kirkby	£1,332,000	£200,000	£1,532,000	£0	£1,532,000
Rastrick	£1,580,800	£500,000	£2,080,800	£0	£2,080,800
LAND PURCHASES					
Menston	£575,000		£575,000	£0	£575,000
Killingbeck	£957,500	£340,000	£1,297,500	£0	£1,297,500
Batley Carr	£985,500	£625,000	£1,610,500	£0	£1,610,500
CLOSE CALL					
South Kirkby close call block	£315,000		£315,000	£0	£315,000
Rothwell	£360,000				
Castleford Refurbishment		£18,200	£18,200	£1,187	£17,013
Huddersfield CARP	£0		£0	£132,735	-£132,735
Castleford close call			£0	£10,369	-£10,369
TOTAL CAPITAL PLAN 2013/14	£6,105,800	£1,683,200	£7,429,000	£144,292	£7,284,709

CORPORATE RESOURCES					
IT					
Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Computer Hardware	£90,000	£3,000	£93,000	£11,316	£81,684
Software Licences	£230,000	£23,500	£253,500	£136,074	£117,426
Servers and Storage	£110,000		£110,000	£0	£110,000
Server room equipment	£185,000		£185,000	£976	£184,024
MDT replacement	£611,000		£611,000	£0	£611,000
Networking hardware		£10,800	£10,800	£10,766	£34
Mopbile computing		£7,900	£7,900	£7,794	£106
HR training records	£60,000	£4,000	£64,000	£4,364	£59,636
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£1,286,000	£49,200	£1,335,200	£171,290	£1,163,910
TRANSPORT					
Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Vehicle replacement	£1,215,000		£1,215,000	£240,250	£974,750
CARP	£680,000		£680,000	£0	£680,000
Young Firefighter	£55,000		£55,000	£0	£55,000
POD refurbishments	£45,000		£45,000	£0	£45,000
Traffic Light Management	£20,000		£20,000	£0	£20,000
Ladders	£60,000		£60,000	£50,513	£9,487
Silent Witness	£110,000		£110,000	£0	£110,000
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£2,185,000	£0	£2,185,000	£290,763	£1,894,237

CAPITAL BUDGET MONITORING 2013/14					
SERVICE DELIVERY					
Details of Scheme	Original Capital Plan	Virement/Slippage	Revised Capital Plan	TOTAL EXPT	Balance Uncommitted
Lay Flat Hose	£12,000		£12,000	£0	£12,000
Line Rescue Equipment	£15,000		£15,000	£5,400	£9,600
Stabfast	£22,000		£22,000	£0	£22,000
Thermal Image Cameras	£25,000		£25,000	£0	£25,000
Water Rescue Equipment	£15,000		£15,000	£599	£14,401
BA Wire Cutters	£12,000		£12,000	£1,418	£10,583
Cold Cut Cobra	£60,000		£60,000	£0	£60,000
Intrinsic Radios	£45,000		£45,000	£28,046	£16,954
Premises Risk Database	£12,000		£12,000	£0	£12,000
Hydrants	£450,000		£450,000	£46,708	£403,292
New Control Project (Premises costs)	£0	£558,300	£558,300	£508,564	£49,736
New Control Project West Yorks	£0		£0	£3,069	£-3,069
New Control Project South Yorks Collaboration	£0		£0	£74,000	£-74,000
New Control Project Contingency	£415,000		£415,000	£437	£414,563
Command Units ICT Provision and Upgrade		£76,300	£76,300	£5,000	£71,300
BA Equipment		£120,000	£120,000	£88,168	£31,832
Home Fire Safety Checks	£700,000	£0	£700,000	£0	£700,000
TOTAL CAPITAL INCLUDING SLIPPED SCHEMES	£1,783,000	£754,600	£2,537,600	£761,407	£1,776,193

WYFRA	FINANCE AND RESOURCES COMMITTEE	12 JULY 2013	ITEM NO 6
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REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: TO UPDATE MEMBERS ON THE CO-OPERATIVE BANK'S CREDIT RATING

RECOMMENDATION: THAT MEMBERS NOTE THE CONTENT OF THE REPORT.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: Nil

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**BACKGROUND PAPERS
OPEN TO INSPECTION:**

SUMMARY

On 10 May and again on 18 June 2013, Moody's credit rating agency substantially downgraded the Co-operative Bank. The Bank's Chief Executive stepped down with immediate effect following the initial downgrade. A new Chief Executive of the Co-operative Group's banking arm was appointed on 27 May 2013 and a new Chairman on 5 June both from outside the Bank. This report aims to provide further information on the downgrade, including the Bank's response and how the Authority might be affected.

1. Information

- 1.1 The Co-operative is the most popular banker to UK councils (around 35%). The Fire Authority has a contract with the Co-operative for current account banking facilities until December 2017. The bank does not currently meet the Authority's investment criteria and there are no investments outstanding.
- 1.2 On 10 May 2013, Moody's credit agency rating downgraded the Co-operative Bank's long-term credit rating by six notches to Ba3, which is sub-investment grade. The downgrade reflected Moody's opinion that the bank faced the risk of further substantial losses in its non-core portfolio, and followed a number of less than positive announcements for the bank over the last few months including a £674 million loss last year and pulling out of a £750 million deal to buy 632 branches from Lloyds. The Bank's Chief Executive stepped down with immediate effect following the downgrade.
- 1.3 On 17 June 2013, a new senior management team announced a plan of action for re-capitalisation (aimed to raise £1.5 billion). The plan involves the sale of the bank's general insurance business; cost savings to boost profitability; and a "haircut" on "junior" debt in return for new bonds and equity in the Bank. The plan needs to be agreed by the Prudential Regulation Authority.
- 1.4 On 18 June 2013, Moody's downgraded the bank's rating a further four points to Caa1. The downgrade reflects the imminent default on certain debt as part of the re-capitalisation plan; the execution risks faced by the new management on the significant business restructuring; and the possibility that further "haircuts" may need to take place if the plan proved unsuccessful.
- 1.5 A further credit rating agency, Fitch, also downgraded the bank in April but the bank did retain their investment grade status with that agency. The ratings were put on a "negative outlook" which indicates the likely direction of the next change, although this might not necessarily be imminent or inevitable. The bank's current ratings are as follows -

	Fitch		Moody's	
Long-term rating	BBB-	Lower medium investment grade	Caa1	Non-investment grade – substantial risks
Short-term rating	F3		Not Prime	

It might be noted that the second most popular bank for local authority current accounts is the RBS Group. They currently have a Moody's rating of A3, but this effectively includes a 3 grade uplift for Government support. If the latter was taken away, then the rating would be Baa3 which is just above speculative grade.

- 1.6 Opinion appears divided as to whether the bank would receive Government support if it got into financial difficulties. Retail depositors would be covered under the Financial Services Compensation Scheme (up to £85,000) but this would not apply to any monies held by the Authority.

2. Implications for West Yorkshire Fire and Rescue Authority

- 2.1 Although the Authority does not hold investment balances with the Co-operative bank, it does face some risk from using the bank for day-to-day operational banking. The treasury team keeps “cleared” balances on the current account as close to zero as possible on a daily basis (the cleared balance is used for the calculation of overdraft interest). However, in the event of insolvency, the ledger balance at the date of failure would represent the account holder’s exposure. The ledger balance includes items which are in the course of clearing such as cheques paid in and direct debits.
- 2.2 Although unlikely, it cannot be entirely ruled out that a failing bank could halt operations during the business day and if that were to happen the Authority would face exposure. The Chief Finance Officer is working to minimise this by ensuring that payments made to invest surplus funds elsewhere are made by CHAPS (immediate payment) as early as possible during the banking day.
- 2.3 If the bank failed, the Authority may well face the logistical problem of receiving monies and making payments to its client groups, suppliers and staff. As a sizeable retail bank has never been allowed to effectively fail in the UK, it is difficult at this stage to envisage how this might be coped with. As this would be a widespread issue affecting all the bank’s customers, it is likely that regulators and/or the Treasury would issue guidance on how to proceed.

3. Consultees and their opinions

Arlingclose Limited – the Authority’s treasury management advisors.

4. Recommendation

To continue to monitor the financial status of the Co-operative Bank. Members are asked to note the report.

WYFRA	FINANCE & RESOURCES COMMITTEE	12 JULY 2013	Item No 7
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REPORT OF: Director of Corporate Resources

PURPOSE OF REPORT: To provide an annual update on the implementation of Information Governance arrangements within WYFRS and to report on progress made towards the introduction of an Information Security Management System (ISMS).

RECOMMENDATION: That the contents of the report are noted.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

Exemption Category:

Contact Officers: Alison Davey 01274 655801
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Background Papers: None

SUMMARY

This report provides an annual update on the implementation of Information Governance arrangements throughout the Authority including the introduction of an Information Governance Framework as approved by Management Board in December 2008. The report highlights the progress made towards compliance with the 6 strands and 76 standards of the framework. An Improvement Plan has been implemented and priorities assigned to all standards.

Also included in this report are details of the progress made towards the introduction of an Information Security Management System (ISMS) aligned to the international standard ISO 27001. A series of control measures are required to comply with this standard and to ensure that our information is managed and secured effectively. This position has been further reinforced by the emergence of the HMG Security Policy Framework and the FRS Protective Security Strategy that WYFRS will need to comply with. A significant amount of work is being progressed to ensure that the information security risks are managed.

1 BACKGROUND

- 1.1 At the Management Board meeting of December 2008 it was acknowledged that the area of Information Governance (IG) needed to be addressed following high profile cases regarding data losses and poor information sharing practices. As such, approval was given to the introduction of an Information Governance Framework and the creation of the Information Governance Group (IGG) in order to implement and maintain information governance effectively and consistently across the Authority.
- 1.2 Management Board also realised the need to introduce a structured approach towards Information Security (IS) based on international best practice. The implementation of an Information Security Management System (ISMS) aligned to the international standard ISO 27001 was also approved at the Management Board meeting of December 2008.
- 1.3 The CFO's regional and national involvement with the HMG Security Policy Framework and the FRS Protective Security Strategy has further highlighted the need to introduce a more structured approach to the areas of information governance and information security.
- 1.4 Despite the fact that the FRS Protective Security Framework was issued in October 2012 based on the previous version 6 (May 2011) of the HMG Security Policy Framework (HMG SPF) WYFRS has taken the proactive and pragmatic decision to implement sensible and proportionate security measures commensurate with the risks presented that align to the latest version 10 of the framework.

2 INFORMATION

- 2.1 This report provides an update on the key areas of development during 2012/13 to ensure the effective implementation of both Information Governance (IG) and Information Security (IS) arrangements across the Authority.
- 2.2 The strategic IGG and the operational Corporate Information Management group (CIMG) continue to develop, implement and promote information governance across all departments. The Protective Security Working Group (PSWG) assists by co-ordinating activities relating to information, physical and personnel security aspects across the brigade.
- 2.3 The approved Information Governance Strategy and Policy including the IGG's Terms of Reference and the overarching Information Security Policy were reviewed by the IGG in January as part of the formal Annual Review process and remain fit for purpose.
- 2.4 The Authority's performance in relation to Information Governance has been measured through self-assessments against the Information Governance Framework as developed by the West Yorkshire Information Management Forum. To date five assessments have been conducted and the progress towards compliance with the framework is as follows:

November 2008	51%
March 2009	57%
March 2010	64%
March 2011	77%
March 2012	83%
March 2013	88%

- 2.5 The IG Framework Improvement Plan for 2013/14 (copy attached) was approved by the IGG on 4 April 2013 and consequently published. The Improvement Plan identifies the level of progress with key actions and priorities identified to progress each of the 6 strands and 76 standards of the framework towards full compliance.
- 2.6 In October 2012 the IGG approved the replacement of the current IG Framework with one aligned to the NHS IG Toolkit in readiness for 2013/14. The purpose of this toolkit is to enable organisations to measure their compliance against the law and central guidance and to see whether information is handled correctly and protected from unauthorised access, loss, damage and destruction. The attainment levels are more stringent, cumulative and clearly defined and will allow the Authority to benchmark against local and national organisations more clearly and provide a greater level of assurance. The ultimate aim is to demonstrate that the Authority can be trusted to maintain the confidentiality and security of personal and sensitive business information. This in-turn increases public confidence that the Authority and its partners can be trusted with this data. To ensure that the new toolkit will meet the needs of WYFRS we will be running both frameworks simultaneously through 2013/14.
- 2.7 The Information Governance and Security intranet site originally launched in July 2011 has proved to be very beneficial in terms of raising awareness regarding governance and security issues across the brigade. It is also been very useful in demonstrating the Authority's commitment to this area of work to external parties such as auditors and assessors.
- 2.8 The Information Governance Statement, originally published in February 2010 and endorsed by the Chief Fire Officer, was reviewed and reissued in February 2013 to reaffirm the Authority's commitment to this area of work.
- 2.9 Following on from the successful roll-out of the Protecting Information e-learning modules at levels 1, 2 and 3 to all appropriate staff during 2010 and 2011, with a completion rate in excess of 99.5%, the level 1 and 2 refresher modules were released in May 2013 with a deadline for completion of July 2013. Completion of the modules will help maintain the focus of staff on this vital area of work. The refresher module for level 3 for senior managers will follow in 2014.
- 2.10 The self-assessed compliance against the international information security standard ISO 27001 continues to be closely monitored and currently stands at 97% which is a significant improvement from the 88% compliance reported to this committee in July 2012. The approval and implementation of a number of information security related documents and controls has taken place over the preceding twelve months and these include:
- (Protective) Security Policy
 - Physical Security Procedures and Guidance

- Bomb Threat and Suspicious Package Procedure
- Equipment Security Procedure
- Secure Disposal of Removable Storage Media Procedure

- 2.11 The new Security Policy was issued to all staff in October 2012 with a requirement for everyone to sign for and confirm their understanding of the contents. With the exception of a small number of individuals who are currently on secondment out of the brigade, maternity/paternity leave or career breaks signatures have been received from all staff.
- 2.12 Management Board have approved the transfer of appropriate archives to the West Yorkshire Archive Service (WYAS) for preservation and safekeeping in climate controlled and secure storage vaults at its site in Morley. These WYFRS archives are currently stored in areas that are not sufficient to ensure their longevity and integrity but must be retained for legal reasons. The WYAS service is ideal to keep the records in as good as condition as possible whilst remaining accessible when required.
- 2.13 Physical Security Risk Assessments (PSRA) of all WYFRS estate have been undertaken by district staff under the guidance of the Protective Security Working Group (PSWG) to identify any key areas of weakness or vulnerabilities that may need to be addressed to secure key resources including essential information. The assessments now form part of the Performance Monitoring Visits (PMVs) and are updated regularly.
- 2.14 As a direct result of the PSRAs a range of measures have been implemented or actions taken during 2012/13 to ensure that each site is as secure as possible to safeguard our information without impacting on operational functionality. These measures include the installation of alarm systems at retained stations, the regular changing of keypad lock codes, the removal of station over-ride keys, setting all appliance door closing times to 60 seconds, and a full review of the physical access permissions using the PAC access card system for all staff.
- 2.15 Version 8 of the HMG Security Policy Framework was released in April 2012 with major changes to the format and requirements placed on government departments and agencies. The Mandatory Requirements (MRs) were reduced from the original 70 down to 20 but with many more elements required to be achieved to meet full compliance. This has led to a complete overhaul by WYFRS of the monitoring and compliance tools it utilises to ensure it remains as proactive as possible in attaining the highest level of compliance, which currently stands at 90%.
- 2.16 As previously reported the Authority was awarded a "Substantial Assurance" rating in 2010 for its Information and ICT Governance arrangements as a result of an Internal Audit, the highest rating achievable. This was an improvement on the previously awarded "Limited Assurance" rating awarded in 2007. During June and July 2013 a further review will be undertaken by the Internal Auditors to ensure that these standards have been maintained or improved upon and a full report will be available on completion. The items noted in this report have only enhanced this position as evidenced by the maintenance of the "Compliance Plus" award from the Customer Service Excellence Audit in 2012 highlighting once again that the Authority's has a

well structured approach to Information Governance that is over and above the required standard.

2.17 WYFRS is currently working towards compliance with and connection to the Public Services Network (PSN). This is a secure network that will enable WYFRS to communicate on and share sensitive information both internally and with external partners. An external advisory assessment was undertaken in May 2013 and a Gap Analysis Report was produced that indicated that compliance against 31 controls has been achieved and a further 11 controls were partially compliant requiring minor amendments, which are being progressed and once complete will lead to a compliance rating of 91%. Work has begun on the 4 controls that are currently non-compliant with the aim of obtaining a PSN compliance certificate by the end of 2013. The report did note that WYFRS displayed particular strengths in the following areas:

- Management commitment to information security
- Good Information Governance arrangements
- A comprehensive set of policies
- Good training and awareness processes
- A positive approach to security

2.18 Although not all of the requirements and developments covered by this report are mandated there are clearly very good reasons to manage the risks to the Authority. Doing nothing will leave the Authority dangerously exposed to vulnerability with the potential consequences of:

- Disruption to service delivery
- Loss of life
- Loss of reputation
- Fines imposed by the Information Commissioner
- Human Resources issues
- Health and Safety liabilities
- Higher insurance premiums.

2.19 In summary, the current attainment against the demanding information governance and security frameworks are as follows:

Information Governance Framework	= 88%
Information Security Standard (ISO27001)	= 97%
HMG Security Policy Framework	= 90%

2.20 By remaining vigilant, being security minded and implementing proportionate protective security measures the Authority can protect itself and the community against crime and any potential terrorist threat.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial implications associated with this report.

4 EQUALITY AND DIVERSITY IMPLICATIONS

4.1 There are no direct equality and diversity implications associated with this report.

5 HEALTH AND SAFETY IMPLICATIONS

5.1 There are no health and safety implications associated with this report.

6 SERVICE PLAN LINKS

6.1 This report refers to the Service Plan priority “Provide effective and ethical governance and achieve value for money in managing resources”.

7 RECOMMENDATION

7.1 That members note the contents of this report.