LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 27 September 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
D Coleman
N Hennessy (Vice-Chair)
F Jackson
T Martin
D O'Toole
G Wilkins
T Williams

Officers

C Kenny, Chief Fire Officer (LFRS)
J Johnston, Deputy Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
B Warren, Director of People and Development (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

15/17 APOLOGIES FOR ABSENCE

Apologies were received from County Councillors Lorraine Beavers and David Stansfield.

16/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

17/17 MINUTES OF THE PREVIOUS MEETING

It was noted that resolution 7/17 (as identified on page 5 of the minutes) had been updated following the Authority meeting held 18 September 2017.

RESOLVED: - That the Minutes of the last meeting held on 28 June 2017 be confirmed as a correct record and signed by the Chairman.

18/17 REVISIONS TO THE STATEMENT OF ACCOUNTS 2016/17

The Committee approved the draft Statement of Accounts for the financial year ended 31 March 2017 at the June meeting, prior to the audit being carried out by Grant Thornton. The Statement of Accounts had now been updated to reflect two adjusted misstatements and one disclosure change identified during the audit as now presented.

The Director of Corporate Services reassured Members that it was not unusual for the auditors to find something in the statement of accounts and that the changes identified were minor changes. The Audit Findings report considered under appendix 2 of the report (as detailed on page 92 of the agenda pack) confirmed that the accounts were prepared to a high quality, were supported by comprehensive working papers and that the Auditors anticipated providing an unqualified audit opinion in respect of the financial statements.

The Head of Finance confirmed that a short-term investment was for a period of 12 months or less. Checks had been put in place to ensure investments were classified correctly in future reports.

The Director of Corporate Services advised that the changes requested by Grant Thornton had been made to the accounts and the updated version would be presented to the Audit Committee on 28 September 2017 for information, alongside the full Audit Findings Report.

RESOLVED: - That the Committee re-approved the revised Statement of Accounts.

19/17 FINANCIAL MONITORING 2017/18

The report set out the current budget position in respect of the 2017/18 revenue and capital budgets and performance against savings targets.

Revenue Budget

The overall position as at the end of July showed an under spend of £0.2m. Trends were being monitored to ensure that they were reflected in future years budgets as well as being reported to the Resources Committee. In terms of the year end forecast, it was still early in the year however, the latest forecast showed an overall underspend of approximately £0.8m.

The Committee was provided with detailed information regarding the position within individual departments, with major variances relating to non-pay spends and variances on the pay budget being shown below:-

Area	Overspend / (Under spend) to 31 July	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	44	(20)	The overspend for the year to date related to various headings, such as uniforms, training props for stations, and furniture, which were timing related and were expected to even out as the year progressed. The outturn underspend reflected all of the above, in addition to continued reduced spend on smoke detectors and fire safety consumables.
Property	63	86	The overspend position related to premises repairs and maintenance, which was expected to continue for the remainder of the year.
Wholetime Pay	(202)	(579)	The year to date position reflected: • the number of wholetime recruits taking part in the June course was lower than budgeted, 32 compared with a budgeted 36. • in addition vacancies to date were higher than forecast due to the early leaver profile. • pension costs were lower than forecast as the number of personnel who were no longer on the FF pension schemes stood at 25, in addition staff continued to transfer from the 92 scheme to the 2015 scheme resulting in a reduction in employer pension contributions. • the annual pay award had not yet been agreed, which would have been effective from 1 July, this resulted in an underspend of approximately £24k at the end of July. • With the balance of the underspend relating to the timing of costs of ad hoc payments such as public holidays.

			The majority of the forecast underspend was attributable to the shortfall in whole-time recruit numbers. As reported at the last Committee meeting the budget was set based on populating 2 recruits courses with 60 recruits in total whereas the actual number of recruits would total 49. It was also worth noting that the forecast outturn included an assumed 1% pay-award, but as Members were aware the Union and Employers Side had been unable to reach an agreement at the present time.
RDS Pay	(37)	(104)	The forecast underspend on RDS pay arose as implementation of the revised pay scheme was delayed until June, pending its approval by the Fire Brigades Union regional council.
Associate Trainers	39	125	The annual training plan was used to match planned training activity to staff available at the training centre. Where this was not possible, associate trainers were brought in to cover the shortfall. The reintroduction of wholetime courses this year would lead to an increased use hence the forecast overspend.
Support staff (less agency staff)	(81)	(241)	The underspend to date related to vacant posts across various departments, which were in excess of the vacancy factor built into the budget. The majority of these vacancies had now been filled, although ICT and Knowledge Management remained problem areas. As highlighted at June's Committee meeting the budget included a sum of £180k to allow for the recruitment of apprentices in the second half of the year. This recruitment had been delayed whilst an appropriate mechanism was identified, meaning that it was unlikely that the allocation would be utilised in year. The previous report proposed that any underspend on this budget should be carried forward as an earmarked reserve to meet on-going costs in future years, hence as part of the year end process the eventual underspend would be transferred to earmarked reserves.

As the grey book pay award had not yet been agreed, the current forecast outturn underspend of £0.8m was calculated based on a 1% pay award. It was worth noting that each 1% pay award in excess of this equated to an additional cost of approx. £250k.

Capital Budget
The Capital Programme for 2017/18 stood at £13.533m. A review of the programme had been undertaken to identify progress against the schemes as set out below: -

Pumping Appliances	The budget allowed for the purchase of 6 pumping appliances for the 2017/18 programme, for which the order was placed in February 2017. It was currently anticipated that these appliances would be delivered in early 2018. In addition, the budget allowed for the final stage payments in relation to the 5 pumping appliances carried from the 2016/17 programme, which were delivered during June and August. Spend to date related to completion of the 2016/17 appliances, and the first stage payment of the 2017/18 appliances. As such we anticipated all of this budget being utilised by year end.
Other vehicles	This budget allowed for the replacement of various operational support vehicles, the most significant of which were one of the Command Support Units and two Driver Training Vehicles. Requirements for these were currently being finalised with a view to undertaking a procurement exercise. However given requirements were still being finalised and taking account of anticipated lead times the final costs associated with the purchase of these would slip over into 2018/19.
Operational Equipment/Future Firefighting	This budget allowed for the replacement of Thermal Imaging Cameras (TICs), for which the tender process was underway. The budget allowed for the balance of the Future Fire Fighting equipment budget, the majority of which related to the purchase of the technical rescue jackets, following the regional procurement exercise. The Director of Corporate Services highlighted that there was a possibility these may not be delivered by year end due to sizing issues and lead times for production. The replacement of Breathing Apparatus Radios would slip into 2018/19, as options were being reviewed including the potential to undertake a regional procurement process.
Building Modifications	Completion of the new joint Fire & Ambulance facility at Lancaster was scheduled for the last quarter of the current financial year. Contract variations of £41k had been agreed in respect of time delays due to the discharge of planning conditions, and upgrading the appliance bay doors. In terms of the redevelopment of Preston Fire and Ambulance Station we completed the purchase of the additional land, as agreed by the Committee, in June. However progress on agreeing the details of the development with NWAS had been slow, although they had now confirmed their agreement to the scheme

	meaning that we were now able to make progress on appointing consultants to take the project forward to detailed design and ultimately construction. This meant that no building works would take place in the current financial year; hence the majority of capital budget would slip into the next financial year. The budget also allowed for the outstanding sums due in respect of the replacement water main at STC and the completion of the Multi Compartment Fire Fighting prop, both of which had now been completed. The replacement Fleet workshop had been on hold pending further discussion with Police relating to a joint facility. However our requirements, which related to an equipment maintenance facility, and Police requirements which related to a vehicle maintenance facility, did not align, nor was the location deemed suitable for a vehicle maintenance facility. As such we would now progress this scheme, working up a detailed design prior to undertaking a tendering exercise. Whilst some costs may be incurred in the current year, the majority of this would slip into 2018/19. The final element of this capital budget related to investment in training assets at both STC and service delivery locations to maximise the efficiency and consistency of staff training, and in particular RDS staff. The exact requirements remained subject to review, and a further update on progress would be presented to the Committee once requirements had been finalised. However given the timeframes in finalising requirements, designing and tendering a scheme it was highly unlikely that any significant costs would be incurred in the current year.
IT systems	The majority of the capital budget related to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, was offset by anticipated grant, however the timing of both expenditure and grant was dependent upon progress against the national project. We were due to receive an update in November however it appeared increasingly unlikely that we would incur significant costs in the current year. Given the delay on the ESMCP project the replacement station end project had also been delayed, however we were currently reviewing options to enhance resilience and ensure that any solution was compatible with the eventual ESMCP solution. As such we may incur some expenditure on this, but it was unlikely to be the full budgeted amount, £400k. The budget also allowed for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service.

	The delivery of this was currently scheduled for the last quarter of the current financial year, when our existing contract expired. The balance of the budget related to the replacement of various systems, in line with the ICT asset management plan. Whilst procurement work was on-going to facilitate the replacement of some of these systems in the current year, we were still reviewing the need to replace others. Hence further updates on progress would confirm which replacements were being actioned in the current year and anticipated spend profiles.

Appendix 2 set out the capital programme and the expenditure position against this, as reflected above. The costs to date would be met by both capital grant and revenue contributions.

Delivery against savings targets

The current position on savings targets identified during the budget setting process was reported. The performance to date was ahead of target due to a combination of the underspend on salaries for the first four months, plus savings in respect of procurement activities during the same period. It was anticipated that we would meet our efficiency target for the financial year.

In response to a question raised by CC Wilkins in relation to Building Modifications for the redevelopment of Preston Fire and Ambulance Station the Director of Corporate Services confirmed that there was £3.5m in the budget of which the majority would slip into the next financial year.

In response to a question raised by Cllr Williams the Director of Corporate Services confirmed that the net costs for agency staff were very small compared with the overall support staff budget and were not therefore separated out in the report.

The Director of Corporate Services confirmed that any underspend would be carried forward by default to general reserves, unless there was specific requirement to transfer to earmarked reserves or capital funding reserves. The Authority considered the transfer to reserves as part of the outturn position reported to the Resources Committee in June.

RESOLVED: - That the Committee:-

i) Noted the financial position; and
ii) Endorsed the contract variation approved for the Lancaster Fire Station rebuild.

20/17 WORKFORCE PLAN

The Director of People and Development presented the current version of the Workforce Plan which set out Lancashire Fire and Rescue Service's (LFRS) objectives based on the organisational context, structure and workforce profiles. The report also detailed labour demand, turnover and forecasting together with recruitment, retention and succession planning and talent management.

The objective of the plan was to ensure that the organisation had:-

- The right number of people with the right skills employed in the right place, at the right time to deliver the short and long term objectives of LFRS.
- The right people in the right roles considering the experience, skills and qualifications required for the role.
- A better understanding about what sort of workforce was likely to be needed in the future.
- The right resources allocated to work areas to fulfil the demands for the Service now and in the future.
- A diverse workforce recruited and developed which could meet the differing needs of the communities of Lancashire.

For workforce planning purposes the data collected related to a position in time as at 31.3.2017. Members considered the Workforce Action Plan, as now presented.

It was noted that the Action Plan would be reviewed regularly in light of changes to the political, economic, sociological, technological and legal environment. It would also be updated in light of any change projects which impacted on the LFRS workforce and monitoring would be undertaken by the Workforce Development Programme Board.

Workforce planning priorities 2017/18 were:

- Deliver a whole time recruitment campaign to replace those exiting LFRS due to the current age profile.
- Deliver the organisational development plan to ensure a consistent understanding of leadership within LFRS, developing the skills and competences of our leaders ensuring individual responsibility for personal development and leadership was displayed ensuring a diversity of ideas, experiences, backgrounds were valued and innovative solutions to problems identified.
- Increase the diversity of the workforce.
- Increase the number of apprentices within LFRS through the recruitment of Fire Fighter apprentices following the launch of the new trailblazer in October 2017.
- Review the reasons for high levels of turnover within the RDS through a qualitative questionnaire.
- Review how leaders (in particular underrepresented groups) can be supported to develop and progress through consultation with existing staff and sharing good practice.
- Explore opportunities for improving the physical fitness of the older workforce to aid retention in light of the aging profile.

In response to a question from CC Wilkins the Director of People and Development confirmed that the Service actively promoted the health and wellbeing of staff which included: training on distress management and mental wellness, the provision of an Occupational Health Unit, an employee assistance programme, the use of cogitative behavioural therapy where appropriate and the Service had signed the MIND pledge on Mental Health to deliver greater awareness and support to staff.

<u>RESOLVED</u>: - That the Committee noted the Workforce Plan.

21/17 <u>EQUALITY, DIVERSITY & INCLUSION ACTION PLAN AND PROGRESS REPORT</u>

The Equality Act 2010 stated that everyone had the right to be treated fairly and equally. The Act had two main purposes. It brought together and simplified all of the existing discrimination law, and strengthened the law to further support progress on equality. In the exercise of its functions (including any function carried out by an external supplier/organisation), the Service must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a protected characteristic and those who do not;
- Foster good relations between people who share a protected characteristic and those who do not.

These were often called the three main aims of the “general duty” and were detailed in the Equality Act 2010 Section 149. The Equality Duty was supported by two main specific duties which required public bodies to:

- Publish equality information at least annually;
- Set and publish equality objectives at least every four years.

Members considered the Equality, Diversity and Inclusion Annual Report as now presented. This was the way in which the Service demonstrated it was meeting its legal requirements, the report contained information (based on information that had been disclosed or that was publically available) about:-

- Our corporate planning and policy approach to equality and diversity;
- The composition and the equality profile of our workforce;
- An overview of equality-related activities.

The Annual Report made reference to how equality, diversity and inclusion activity was embedded within its Corporate Planning process and how LFRS was shaping and delivering its services to meet the needs of its diverse communities. The Report included data that it was required to report in terms of its workforce profile, its completed action plan for last year and its actions for next year. The delivery of the action plan was monitored through the Equality, Diversity and Inclusion Steering Group.

In response to Members questions the Director of People and Development confirmed that the Authority complied with the Equality Act 2010. Firefighters dealt with incidents which exposed them to people from different ethnic origins and colour was not seen as a barrier. Our values were based on ‘STRIVE’ – Service (delivering the best service at all times); Trust (being open and honest with each other); Respect (treating people fairly); Integrity (accepting responsibility and accountability for performance); Valued (engaging people and recognising achievements); Empowered (giving people the support they need to deliver change). Where there had been incidents these were dealt with seriously. In addition, exit interviews were held to receive feedback from individuals.

Positive action campaigns were held on an ongoing basis to improve the diversity of the workforce. Although there was more to be done to improve diversity, Home Office requirements for female recruits had been exceeded in the last recruitment campaign.

The Deputy Chief Fire Officer advised that now the Service was able to recruit on a regular basis it was possible to better engage with the community in readiness for recruitment campaigns.

In response to a question raised by Cllr Coleman, the Director of People and Development confirmed that the Service intended to recruit apprentices within the firefighter cadre when the framework was available and were considering apprentices within the support functions, with consideration currently being given to scale 4 vacancies as to whether an apprentice would be appropriate. Further work was required in this area and the Director of People and Development would bring a report back to a future meeting.

RESOLVED: - That the Committee noted the Equality, Diversity and Inclusion Annual Report.

22/17 DEBT RESTRUCTURING

The Authority currently held £5.5m of debt. Borrowing was at fixed rates, ranging between 4.10% and 4.88% and as a result of this the Authority incurred annual interest charges of £0.25m.

As part of the 2017/18 Treasury Management Strategy, presented to Members in February, a review of debt restructuring opportunities was undertaken which identified that the cost of repaying the loans in the year would be in the region of £1.6m. This would result in lower interest payments over the period of the loans of £2.7m, a net gain over the period of the loans of £1.1m. However, paying the loans early would result in a loss of investment income, and allowing for future interest rate forecasts, once this was taken into consideration then it was estimated that the repayment of the loans would cost rather than save the Authority money. Hence it was recommended that debt restructuring was not undertaken at that time, but that the situation would be reviewed again as part of the mid-year update.

Mid-Year Update
It was noted that a loan for £330k matured on 31 December 2017, and as such was excluded from the review as this would be repaid at that time.

The level of penalty applicable on early repayment of loans had been reviewed again and this now stood at £1.7m. (As previously reported the level of penalty was dependent upon two factors, the difference between the interest chargeable on the loan and current interest rates, the greater this difference the greater the penalty, and the length to maturity, the greater the remaining time of the loan the greater the penalty. Hence as interest rates increase or as loans got closer to maturity, the level of penalty would reduce.) This compared with the outstanding interest payable between now and maturity of £2.6m; giving a gross saving of £0.9m. However as highlighted as part of the strategy, and referred to above, any early repayment meant that cash balances available for investment would be reduced and hence interest receivable would also be reduced. The extent of which was dependent upon future interest rates.

Comparison Utilising Base Rate 0.25%
As a starting point a forecast was provided based on interest rates remaining at their current level of 0.25%. Based on this the anticipated reduction in interest receivable, as a result of the early repayment of loans, was £0.2m. Hence the net saving by repaying loans early was £0.7m. The overall position was broken down into a loan by loan analysis in the report as now presented. This showed at current interest rates it would be financially advantageous to pay off all loans. However, using 0.25% as an interest rate forecast throughout the duration of the loan period seemed unrealistic, as forecasts suggested that interest rates would increase in future years.

Comparison Utilising Forecast Increase in Base Rate to 0.50%
The latest indications from the Bank of England were that base rates were likely to rise to 0.50% earlier than previously anticipated; hence the calculations had been re-run utilising that. Based on this the anticipated reduction in interest receivable, as a result of the early repayment of loans, increased to £0.4m, hence the net saving by repaying loans early fell to £0.5m. The overall position was broken down into a loan by loan analysis in the report. This showed that at a revised base rate of 0.50% it would be beneficial to pay off the longer term loans, but not those that mature in the next 6 years. However, even using an updated base rate of 0.50% as an interest rate forecast throughout the duration of the loan period seemed unrealistic, as all forecasts suggested that interest rates would increase further in future years.

Comparison Utilising Current Gilt Rates
As such the net impact based on current investment returns on Gilts, available mid-September had been re-calculated. The overall position was summarised in the report which showed that the anticipated reduction in interest receivable was far more significant, £1.2m, resulting in a net cost of £0.3m if all the loans were repaid. The position on loans maturing within the next 10 years was fairly cost neutral, a net loss of £40k, it was the longer term loans where the majority of losses would be incurred.

Comparison Utilising Inter-Authority Fixed Term Investments
Whilst Gilts represented the safest investment, as they were backed by the Government, inter-authority fixed term investments offered a greater return, albeit they were marginally more risky, which would result in a greater net cost in early repayment, £0.7m.

Comparison Demonstrating Breakeven Position
As a final comparator a breakeven position had been calculated in terms of the average interest rate that would be required over the remaining life of each loan in order for early repayment costs to be fully offset. If average interest rates throughout the remaining life of each loan were lower than the breakeven interest rates shown then it was financially advantageous to pay off the loan, if they were greater then it would cost more to pay off the loan than the net saving on interest.

It was noted that other than during the current financial crisis interest rates had never been at such a low rate as were required to achieve the breakeven position shown. If, as seemed likely, interest rates proved to be higher than this then the early repayment of debt resulted in a worse overall financial position.

Ultimately any decision re: early repayment of debt relied on future interest rates which could not be known with any degree of certainty; hence there was always a risk that any decision would be incorrect. Paying off the debt early gave certainty; it enabled all the costs to be met in the current year and eliminated the interest payable budget in future years, reducing the pressure on the revenue budget. The Authority had sufficient cash balances to meet any repayments costs, having set aside an earmarked reserve of £1.0m to offset a proportion of any penalty costs associated with this, with any balance being met in year.

As an alternative a series of fixed term investments could be established to mirror our debt portfolio with investment returns offsetting interest payments. Utilising Gilts in this way would generate £1.0m of interest receivable over the life of the loans, compared with interest payable of £2.5m, a shortfall of £1.5m. This was still less than the penalty being charged on early repayment, £1.7m, and was considered a risk free strategy as it was based on Government investment. An earmarked reserve could be established to offset any in year shortfall over the life of the debt, i.e. £1.5m over the next 20 years. Given we had already established a reserve of £1.0m to meet potential penalty costs associated with early repayment, we would need to transfer a further £0.5m into this reserve in order to completely offset future net interest payments. Whilst this is a viable option, the level of returns on Gilts still appeared to be extremely low and hence it was still not considered an ideal solution at the present time, albeit it was still more attractive than repayment of all debt and the associated penalty.

Members debated the options. In response to a question raised by CC Wilkins the Director of Corporate Services confirmed that there may be a need to borrow in the future dependent upon future capital requirements, but that the existing 5-year programme did not include any such requirement at the present time.

A summary position was tabled setting out the position based on paying off all loans that matured in the next 10 years, taking account of investment returns in line with current gilt rates.

Penalty incurred	£720k
Savings on interest payable	(£838k)
Reduction in interest receivable	£159k
Net Cost	£41k

The penalty charged and the loss of interest receivable still exceeded the savings on interest payable by £41k, however the loss of interest receivable was very much dependent upon the assumed interest rate, and whilst this option showed a loss based on the gilt rates, it would show a profit utilising the existing base rate, 0.25% or a revised base rate of 0.50%. Paying off these loans gave the Authority certainty in terms of current cost, removing the variable associated with future interest rates.

Paying off these loans would leave 3 loans that would mature after the 10 year period.

RESOLVED: - That the Committee agreed to pay off all loans that matured in the next 10 years.

23/17 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday 29 November 2017 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

A further meeting date was noted for 21 March 2018.

It was agreed that the meeting scheduled for 13 June 2018 be moved by the Clerk to during week commencing 21 May 2018 to accommodate signing of the accounts.

A further meeting was agreed for 26 September 2018.

24/17 URGENT BUSINESS - THE 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT - TECHNICAL CONSULTATION PAPER

The Local Government Finance Settlement was the basis by which the Government allocated out funding to individual authorities. The Department for Communities and Local Government issued a consultation document titled "The 2018/19 local government finance settlement – technical consultation paper" on 14 September 2017, with a deadline for a response of 26 October 2017. The proposed 2018-19 settlement was framed in the context of the overall Spending Review package. The 2016-17 settlement offered local authorities a four-year settlement, giving greater certainty over their funding. The Authority was amongst the 97% of local authorities who accepted this offer. The proposed 2018-19 settlement funding was therefore allocated in accordance with the agreed methodology announced by the Secretary of State at that time.

The National Fire Chiefs Council was drafting a response to the consultation document, and it was felt there was merit in utilising that response as a basis for an individual response by the Authority. As such it was proposed that any response be delegated to the Treasurer, in consultation with the Chief Fire Officer and the Chairman of the Resources Committee.

However, Members considered two particular areas which were relevant to the Fire Authority as highlighted in the report.

The third year of the multi-year settlement offer

The document confirmed that "barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government intended to present these figures to parliament as part of the 2018-19 provisional local government finance settlement in due course." The four-year settlement showed the Authority's funding being reduced by £5.5m (18%) over this period, although it was noted that the majority of this reduction occurred in the first two years of the settlement.

Hence, barring exceptional circumstances, we expected to receive £24.4m of funding in 2018/19, a reduction of £0.9m.
However, the four-year funding settlement was predicated on the Government

maintaining its public sector pay cap at 1%. Any pay awards in excess of this would either require additional funding or would directly impact on future council tax levels.

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

<u>Issues to consider in any response</u>
We welcomed the certainty that the four year settlement provided, and supported the principle that, other than in exceptional circumstances, this would not change. However we felt that the lifting of the 1% public sector pay cap qualified as exceptional circumstances and therefore believed that the settlement needed to take account of both this and future years pay awards, in order to ensure that local government funding, and in our case Fire Authority funding, kept pace with pay increases.

The Fire and Rescue Services National Employers had made an offer to the Fire Brigades Union of a 2% pay increase in 2017/18 followed by a further 3% increase in 2018/19, however the 3% offer in 2018/19 was conditional upon governments across the UK providing funding to enable authorities to meet this cost. In order to put this into context for Lancashire the 2% pay award equated to an increase of £0.7m compared with the 1% budgeted cost of £0.3m, a 3% increase equated to £1.0m compared with the 1% budgeted increase of £0.3m, potentially over £1million more cost than budgeted or allowed for in the funding settlement. If funding was not increased to meet these additional costs then the entire burden would have to be met by further savings, which would potentially mean revisiting the Emergency Cover Review, or from reserves, or from council tax increases. Whilst this offer had been rejected, it appeared highly likely that any final agreement would exceed the 1% pay cap and as such we believed it was essential that additional funding be provided to meet the eventual pay awards.

<u>Council tax referendum principles</u>
The document outlined the following council tax referendum principles:-

- a core principle of less than 2%;
- a continuation of the Adult Social Care precept of an additional 2% with additional flexibility to increase the precept by 1% to 3% in 2018-19, provided that increases did not exceed 6% between 2017-18 and 2019-20;
- shire district councils would be allowed increases of less than 2% or up to and including £5, whichever is higher;
- Police precepts in the lowest quartile would be allowed increases of less than 2% or up to and including £5, whichever was higher.

This meant that Fire would be limited by the general principle i.e. a council tax increase of less than 2%.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?
Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?
<u>Issues to consider in any response</u>

Should greater flexibility be provided to Fire Authorities to increase council tax by a margin greater than 2%? Should this be set at £5 as per the flexibility provided to all Shire District Councils and Police precepts in the lower quartile? This flexibility would seem to be particular relevant given the uncertainty on pay awards and the breaking of the public sector pay cap referred to earlier.

It did seem to penalise Fire Authorities, who had the lowest average precept of any principal authority (£72 compared with Shire Districts of £176 and Police and Crime Commissioners of £172), by not allowing flexibility in line with other types of authorities. Whether the Authority then chose to utilise that flexibility was a different issue, and one which would be debated as part of the budget setting process.

If greater flexibility was provided should this be limited to just those authorities who were in the lower quartile of council tax levels? Lancashire had the 8th lowest council tax out of 29 precepting authorities, was that in the lower quartile? However what was clear was that regardless of whether we were in the lower quartile our actual council tax increases had been the lowest of any authority for a number of years, only a 2.9% increase since 2011/12 and the only Fire Authority to freeze council tax for 2017/18. A similar flexibility was agreed in 2013/14, where 5 Fire Authorities increased council tax by the permitted £5, all of these Authorities still remained in the bottom quartile, but all of them have had the highest increase in council tax over the last 6 years, an average increase of 16% compared with 9% for all others. Was it right that the same flexibility was extended to the same authorities, or should it be extended to all authorities? If all Authorities faced similar pressures, with pay increases being the most notable, should the flexibility be extended to all Authorities similar to the model for Shire District Councils?

RESOLVED: - That any response be delegated to the Treasurer, in consultation with the Chief Fire Officer and the Chairman of the Resources Committee.

25/17 EXCLUSION OF PRESS AND PUBLIC

RESOLVED: - that the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

26/17 EXTRACT FROM WORKFORCE PLAN AND EQUALITY, DIVERSITY AND INCLUSION ANNUAL REPORT

(Paragraph 2)

RESOLVED: - That the Committee noted the recommendation as outlined in the report.

27/17 CAR ALLOWANCES - TAX IMPLICATIONS

(Paragraphs 2 and 3)

The Chief Fire Officer and Deputy Chief Fire Officer were not present for this item.

Members considered the report in detail and asked for further information to be provided to the Resources Committee Chairman, Vice-Chairman and Leader of the Opposition to make a decision at a separate meeting to be arranged for as soon as possible and to which other Members of the Resources Committee would be welcome to attend.

RESOLVED:- that delegated authority be given to the Resources Committee Chairman, Vice-Chairman and Leader of the Opposition to determine how to proceed.

28/17 HIGH VALUE PROCUREMENT PROJECTS

(Paragraph 3)

Members considered a report that provided an update on all contracts for one-off purchases valued in excess of £50,000 and high value procurement projects in excess of £100,000 including: new contract awards, progress of ongoing projects and details of new projects with an anticipated value exceeding £100,000.

RESOLVED: That the Committee noted the report.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood