LANCASHIRE COMBINED FIRE AUTHORITY

Monday, 19 February 2018 at 10.00 am in Washington Hall, Service Training Centre, Euxton

MINUTES

PRESENT:

F De Molfetta (Chairman)

Councillors

L Beavers	M Khan
P Britcliffe	Z Khan
I Brown	T Martin
S Clarke	D O'Toole
D Coleman	E Oades
J Eaton	M Parkinson (Vice-Chair)
N Hennessy	M Perks
S Holgate	J Shedwick
D Howarth	D Smith
F Jackson	M Tomlinson
A Kay	T Williams

60/17 APOLOGIES FOR ABSENCE

Apologies were received from CC Wilkins and CC Stansfield.

61/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

62/17 UK EMERGENCY MEDICAL TEAM DEPLOYMENT TO BANGLADESH - 17 DECEMBER 2017 TO 3 FEBRUARY 2018

ACFO Russel introduced Graham Mossop, Watch Manager at Lancaster Fire Station. In April 2017 a paper was brought to the CFA that informed Members about the work of the UK International Search and Rescue Team (UK ISAR) and the introduction of a new logistics role that supported the UK Emergency Medical Team (UK EMT). The UK EMT enabled deployment of a field hospital anywhere in the world and the role of UK ISAR was to support that deployment.

ACFO Russel advised that WM Mossop had been part of the ISAR team for 14 years with the last 2 years spent training hard to be part of the EMT. The Service was very proud of the hard work and dedication WM Mossop had shown.

WM Mossop took the opportunity to thank the Combined Fire Authority and the Service Executive Board for their support. He explained that UK ISAR was a co-operative of Fire and Rescue Services formed over 25 years ago responding to humanitarian disasters and emergencies and providing capacity building across the world.

The UK EMT was a collaboration between: the Department for International Development (DFID), NHS / Public Health England, UK Med, Handicap International and UK ISAR.

On 17 December 2017 a team was mobilised to Bangladesh to carry out a Medical Needs Assessment, which resulted in the mobilisation of the UKEMT on 24 December 2017.

WM Mossop explained that the mobilisation was to support the rise in Diphtheria cases in the refugee Rohingya community and due to in country medics being diverted to treat patients. The World Health Organisation had requested assistance to further assist UNICEF with a vaccination campaign aimed at vaccinating children between the ages of 6 weeks – 15 years old.

Difficulties included: Travel distances to reach patients as these could be as long as 2 hours each way; procurement of items in the bazaars; waste management; water sanitation and hygiene (WaSH).

WM Mossop assessed: the infrastructure and the treatment centres and highlighted both good and bad practices in relation to WaSH; he liaised with infection control practitioners, generated standard operating procedures and promoted WaSH in line with international operating standards. A simple 4 bin system was introduced to segregate at the point of use, clinical waste, non-clinical waste, sharps and glass. Chlorination of water was addressed with a simpler system using aquatabs being adopted in the health / diphtheria antitoxin (DAT) centres.

Fire Safety training was given to the Rohingya security guards at all the centres in relation to raising the alarm, evacuation procedures and the use of fire extinguishers.

Training of local clinicians took place which was designed to enable them to continue DAT and associated medical treatments.

The positive outcomes were that; the UK EMT triaged over 3,000 refugees with over 500 being treated for diphtheria; 5,100 refugees across all areas were treated with DAT; antibiotics were provided for mumps and tonsillitis; the UK government donated approximately £2m towards the cost of the massive vaccination programme and over £59m in total to the crisis; clinical skills of local medical staff were improved and the infrastructure and procedures in relation to WaSH were improved across all sites.

A total of 350,000 children had been vaccinated in the district in addition to 130,000 local Bangladesh children who lived in close proximity.

On behalf of the Authority, the Chairman thanked WM Mossop for his interesting presentation.

63/17 MINUTES OF PREVIOUS MEETING

RESOLVED: - That the Minutes of the CFA held on 18 December 2017 be confirmed and signed by the Chairman.

64/17 MINUTES OF MEETING WEDNESDAY 24, JANUARY 2018 OF NORTH WEST FIRE FORUM

RESOLVED: - That the Minutes of the North West Fire & Rescue Forum held 24 January 2018 be noted.

65/17 MINUTES OF MEETING THURSDAY, 25 JANUARY 2018 OF AUDIT COMMITTEE

RESOLVED: - That the Minutes of the Audit Committee held 25 January 2018 be noted.

66/17 LOCAL GOVERNMENT ASSOCIATION (LGA) FIRE VISION 2024

The Deputy Chief Fire Officer presented the report for information. Members noted that each year at its annual conference, the Local Government Association (LGA) released a conference document which focussed on the current and future challenges of the Fire and Rescue Sector from the LGA Fire perspective. For the current year the document was entitled 'What will 21st Century fire and rescue services look like in 2024?' The document set out its Mission, vision and the rationale for change as well as presenting some ambitions and actions.

RESOLVED: - That the report be noted.

67/17 NATIONAL FRAMEWORK CONSULTATION

The Deputy Chief Fire Officer presented the report for information. The Fire and Rescue Services Act 2004 required the Secretary of State to prepare a National Framework for fire and rescue authorities and to keep it under review.

The National Framework was last published in 2012 and the Minister for Policing and the Fire Service, the Rt Hon Nick Hurd MP was consulting on changes cited as needed to embed the fire reform programme and provisions in the Policing and Crime Act 2017. The Home Office 'Fire and Rescue National Framework for England' consultation document was noted. Consultation began on 27 December 2017 and closed on 14 February 2018. Given the timescale, the Chairman had considered a response to the consultation on behalf of the Authority and a copy was noted.

RESOLVED: - That the report be noted.

68/17 HER MAJESTY'S INSPECTORATE OF CONSTABULARY AND FIRE AND RESCUE SERVICES (HMICFRS) - PROGRESS TOWARDS INSPECTION - BRIEFING

The Deputy Chief Fire Officer presented the report for information. The Policing and Crime Act 2017 set out that Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) would inspect and report on the efficiency and effectiveness of fire and rescue authorities in England. In July 2017, HMICFRS extended its remit to include inspections of England's Fire and Rescue Services. This would assess and report on the efficiency, effectiveness and people of the 45 Fire and Rescue Services (FRS) in England: -

- Effectiveness: how effective is the FRS at keeping people safe and secure from fire and other risks?
- Efficiency: how efficient is the FRS at keeping people safe and secure from fire and other risks?
- People: how well does the FRS look after its people?

The HMICFRS' inspection programme for Fire and Rescue Authorities in England was subject to the approval of the Home Secretary and the consultation to HMICFRS' inspection methodology closed on 19 February 2018, as now considered by Members. It was noted that HMICFRS could also undertake further inspections at any time. The HMICFRS' inspection would be developed with the fire and rescue service and would be designed to promote improvement and to identify all aspects of the excellent work undertaken. Zoe Billingham was the Lead Inspector for the Fire Service Inspectorate programme, with Matt Parr the Inspector for the Northern Region and David Dryburgh the Service Liaison Lead for Lancashire Fire and Rescue Service (LFRS). Members noted there would be 3 tranches of inspection, with LFRS being inspected in the first tranche during summer 2018.

An Audit Assurance Team led by Area Manager Tony Crook had been established. The team was based at Service Headquarters and included Station Managers Ian Armistead and Julian Williams and Watch Manager Alex Shaw. The team was responsible for the Service response to the inspection and would support HMICFRS in: the audit and assessment of performance against the Inspection Criteria; overseeing the coordination, analysis and presentation of information to HMICFRS, Service Management Team and the Combined Fire Authority; acting as a key point of contact for LFRS with the inspectorate throughout the entire inspection process and keeping staff informed and updated.

It was noted that LFRS chaired a North West HMICFRS group which aimed to share best practice and consider any lessons learnt from the West Yorkshire FRS pilot.

It was also noted that the inspection was not aimed at the Governance of Fire and Rescue Services but at tactical delivery, therefore Member involvement would be minimal however, Members would be kept fully informed.

<u>RESOLVED:</u> - That the report be noted.

69/17 <u>ANNUAL STATEMENT OF ASSURANCE 2016/17</u>

The Fire and Rescue National Framework for England (2012) set out the Government's high level expectations, priorities and objectives for Fire and Rescue Authorities (FRA's) in England. It placed a requirement on all FRA's to provide assurance on financial, governance and operational matters.

The Statement of Assurance was considered by Members. It aimed to provide the required accountability and transparency to the people of Lancashire and evidenced that Lancashire Fire and Rescue Service continued to deliver efficient, effective value for money services.

This statement sat alongside the Integrated Risk Management Plan (IRMP), Statement of Accounts, the Annual Governance Statement, the Annual Service Plan and Annual Progress Report. It detailed what measures were in place to assure that the Combined Fire Authority's performance was efficient, economic, and effective and provided further evidence that LFRS continued to deliver under the expectations detailed within both the National Framework and its own IRMP.

RESOLVED: - That the Authority approved the Annual Statement of Assurance 2016-17 as presented and approved the signing of this by the Chairman of the Authority and the Chief Fire Officer.

70/17 PAY POLICY STATEMENT 2018/19

The Director of People and Development presented a report informing the Authority that in accordance with the provisions of the Localism Act 2011 a pay policy statement for 2018/19 had been prepared.

The pay policy published data on senior salaries and the structure of the workforce and demonstrated the principles of transparency.

The pay policy statement set out the Authority's policies for the financial year relating to:

- The remuneration of its chief officers;
- The remuneration of its lowest paid employees;
- The relationship between the remuneration of its chief officers and that of other employees who are not chief officers.

The statement included:

- The level and elements of remuneration for each chief officer;
- Remuneration range for chief officers on recruitment;
- Methodology for 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 be employed by, the authority, and
- The publication of and access to information relating to the remuneration of chief officers.

It also included the Authority's policies for the financial year relating to other terms and conditions applying to its chief officers.

The approval of a pay policy statement could not be delegated by the Authority to a Panel and the Authority's pay statement must be approved by the 31st of March each year. Any decision under powers delegated to the Authority's Constitution with regard to remuneration to be taken in 2018/19 would be bound by and must comply with the 2018/19 Statement. The Director of People & Development must be consulted prior to any decision impacting on remuneration where there was any question regarding compliance with the Statement.

In general terms the Fire Authority recognised the terms and conditions negotiated nationally by the National Employers with the National Employees' bodies for 3 distinct staff groups. These were: i) National Joint Council for Brigade Managers (referred to in Lancashire Fire Authority as Principal Officers) of Local Authority Fire and Rescue Services (commonly referred to as 'Gold Book'); ii) National Joint Council for Local Government Services (commonly referred to as 'Green Book'); and iii) National Joint Council for Local Authority Fire and Rescue Services (commonly referred to as 'Grey Book').

Under the definitions provided for within the Act, the officers included in this pay statement were: the Chief Fire Officer (CFO), Deputy Chief Fire Officer (DCFO), Assistant Chief Fire Officer (ACFO), Director of Corporate Services (DoCS) and Director of People & Development (DoPD). It was noted that the Treasurer's responsibilities were undertaken by the Director of Corporate Services and the Monitoring Officer's duties were undertaken by the Clerk to the Authority who was engaged on a contract for services basis. The Fire Authority had delegated responsibility for any local terms and conditions, including remuneration for chief officers to the Appointments Panel/Succession Planning Sub-Committee.

A chosen natural internal benchmark for Chief Officer pay was the percentage rise in firefighters pay. This was the standard for the majority of staff within the Service and had been deemed affordable and proportionate by the National Joint Council (NJC) for Local Authority Fire and Rescue Services. It had previously been agreed that the Chief Fire Officer's pay with the established linkages for other Executive Board members should rise by the same amount as firefighters when they received their annual award. The linkage was agreed to last for five years and was now due for review. It was proposed to continue with the current arrangement until an ongoing mechanism was established.

Any pay rise would be subject to a satisfactory performance evaluation. This would be undertaken with the Chairman of the Authority with regard to the Chief Fire Officer, who would in turn appraise his staff. These appraisals determined increases in basic salary; no bonus payments were made to Executive Board members. Information relating to chief officers pay and benefits in kind could be found in the Fire Authority's Statement of Accounts and on the Authority's website.

Objectives of the Policy

The Fire Authority created and sustained a competent, motivated and well led workforce, to meet current and future organisational needs and to be an employer of choice with improved working practices, work life balance, personal development, health and well-being and fair pay. Committed to striving to achieve fairness in pay and reward structures across all occupational groups taking into account all the employment relationships that exist.

Changes from national negotiations generally took place each year, in January (Gold Book), April (Green Book) and July (Grey Book). The Fire Authority's policy was to implement national agreements, amended as needed to meet local needs. Pay increases in 2017/2018 were: i) 1% for staff covered by the "grey book" (wef 1 July 2017), as an interim payment; ii) The second year of a two-year settlement (1% wef 1 April 2017) for 'green' book posts and iii) 1% for Principal Officers (wef 1 July 2017), in accordance with the agreed linkage to "grey book" staff and satisfactory performance. It was noted that the Principal Officers would voluntarily forfeit any increase above 1%. The next anniversary dates for "grey book" and Principal Officers pay was anticipated to be 1 July 2018, whilst the green book pay-award effective date would be April 2018.

In addition to pay, the national agreements covered other terms and conditions such as annual leave and allowances for use of private vehicles on Authority business. The Authority paid car allowances in accordance with these national scales.

There were 4 pension schemes in existence; the Firefighters’ Pension Scheme (which became closed to new entrants in 2006), the New Firefighters’ Pension Scheme (which became closed to new entrants on establishment of the 2015 scheme), the Firefighters’ 2015 Pension scheme and the Local Government Pension Scheme. All employees may join a pension scheme relevant to their occupational group. The operative schemes were statutory schemes with contributions from employers and the employees. The Local Government Pension Scheme provided for flexible retirement for which the Fire Authority had approved a Policy statement.

The Firefighters’ Pension Schemes allowed for re-engagement after retirement. In the unlikely event this was considered, any utilisation of this option was subject to approval by the Authority based on a business case and demonstrated need and would involve abatement.

There were 3 pay grades for Grey Book staff (trainee, in development and competent), a spinal column system for Green Book staff where the policy was to start any appointee on the lowest point of the pay grade, save for where an applicant brought specific skills or experience to a post. In respect of Gold Book staff, they were appointed within a range and progressed by incremental movement subject to performance until the maximum of the range was reached.

The “green book” grading was determined and underpinned by the Local Government Job Evaluation Scheme. The salaries utilised were above the ‘living wage’.

A lease car scheme was available to the Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer and those Grey Book Managers who were conditioned to the flexible duty system for operational cover. Following changes to the HMRC treatment of the lease care arrangements, the CFA afforded Flexi Officers reimbursement of additional expense incurred up to January 2018 with an opportunity to revise their car lease arrangements during the 2017/18 tax year. This arrangement included CFO, DCFO and ACFO. Delegated powers for the payment of honoraria lay with the Chief Fire Officer.

Pay Floor

The definition of the ‘lowest paid employee’ was that postholder receiving the lowest (FTE) annual salary (exclusive of Employer pension contributions). The pay floor level was Green Book Grade 1 posts (Cooks, Receptionists and Gardener/handypersons) who were on a scale of £15,115 to £15,807 pa. £15,115 equated to £8.00 per hour. The minimum a current employee was receiving was £15,807.

The Chief Fire Officer’s earnings ratio was 1: 10.43 using the minima of pay grade 1. The government statement was a recommendation that this ratio should not exceed 1:25. As a further comparison, the ratio between a competent firefighter with CPD and the maximum salary for the Chief Fire Officer is 1: 5.15.

RESOLVED: - That the Authority approved the Pay Policy Statement.

71/17 TREASURY MANAGEMENT POLICY AND STRATEGY 2018/19

The report set out the Treasury Management Policy and Strategy for 2018/19, which was in line with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s revised Code of Practice and tied into the capital and revenue budgets, reported elsewhere on the agenda.

Statutory requirements

The Local Government Act 2003 and supporting Regulations required the Authority to “have regard to” the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next 3 years to ensure that the Authority’s capital investment plans were affordable, prudent and sustainable. This report fulfilled the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Communities and Local Government (CLG) Guidance.

Treasury Management Strategy for 2018/19

The Strategy Statement had been prepared in accordance with the CIPFA Treasury Management Code of Practice (2011). Accordingly, the Lancashire Combined Fire Authority's Treasury Management Strategy would be approved by the full Authority, and there would also be a mid-year and a year-end outturn report presented to the Resources Committee. In addition there would be monitoring and review reports to Members in the event of any changes to Treasury Management policies or practices. The aim of these reporting arrangements was to ensure that those with ultimate responsibility for the treasury management function appreciated fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions had properly fulfilled their responsibilities with regard to delegation and reporting.

The Treasury Management Strategy covered the following aspects of the Treasury Management function:-

- Prudential Indicators which would provide a controlling framework for the capital expenditure and treasury management activities of the Authority;
- Current long-term debt and investments;
- Prospects for interest rates;
- The Borrowing Strategy;
- The Investment Strategy;
- Policy on borrowing in advance of need.

Setting the Treasury Management Strategy for 2018/19

In setting the Treasury Management Strategy, the following factors had been considered as they might have a strong influence over the strategy adopted: economic forecasts, interest rate forecasts, the current structure of the Authority’s investment and debt portfolio and future capital programme and underlying cash forecasts.

Economic Context

The forecast economic conditions included an expectation that growth in the next few years would be low. Negotiations on the UK exit from the European Union and future trade relations were causing uncertainty. The progress and final outcome of these negotiations might impact on economic growth not only in 2018/19 but also in future years. In his budget in November 2017, the Chancellor of the Exchequer announced forecasts of growth which were significantly less than those given in the budget of spring 2017. Inflation increased during 2017 with the Consumer Price Index rising to 3.0% in September. This was largely as a result of the impact of the fall in the value of sterling following the Brexit decision and it was anticipated that inflation would fall from this position. The Monetary Policy Committee of the Bank of England concluded that a rise in interest rates was appropriate. In November 2017 they raised the base rate for the first time in a decade with the base rate increasing from 0.25% to 0.50%. Looking forward, the forecast from Arlingclose Ltd, Treasury Management Advisers to Lancashire County Council was for the UK Bank Rate to remain at 0.50% during 2018/19. The Monetary Policy Committee emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent. Subsequent to writing the report the Governor of the Bank of England had indicated that he expected the interest rates to rise in the short term.

Interest Rate Forecast and Prospects for Market Liquidity
The prevailing and forecast interest rate situation would be monitored to inform borrowing decisions and to ensure that opportunities for debt restructuring were maximised. Regular forecasts of interest rates were provided by Arlingclose Ltd, treasury management advisers to Lancashire County Council.

Current Treasury Portfolio Position
At 31 December 2017 the debt outstanding was £2m with investments of £39.725m. The level of investments represented the Authority's cumulative surplus on the General Fund, the balances on other cash-backed earmarked reserves and a cash-flow balance generated by a surplus of creditors over debtors and by grant receipts in advance of payments.

Borrowing and Investment Requirement
In the medium term the Authority borrowed for capital purposes only. The underlying need to borrow for capital purposes was measured by the Capital Financing Requirement (CFR), while usable reserves and working capital were the underlying resources available for investment. The paper compared the estimated CFR to the debt which currently existed which gave an indication of the borrowing required. It also showed the estimated resources available for investment. An option was to use these balances to finance the expenditure rather than investing, often referred to as internal borrowing. The CFR forecast included the impact of the latest forecast of the funding of the Capital Programme which currently assumed there would be no new borrowing.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommended that the Authority's total debt should be lower than its highest forecast CFR over the next three years. However, the Authority had adopted a policy of setting aside additional Minimum Revenue Provision (MRP) in order to generate the cash to repay loans either on maturity or as an early repayment. The effect of this policy was that cash was available to enable an early repayment of £3.184m of debt during 2017/18 in addition to £0.330m which matured in year. Rather than having a need for borrowing it was estimated that the Authority had an underlying need to invest although the available balances were forecast to reduce. Although the Authority did not have plans for new borrowing, it currently held £2m of loans as part of its strategy for funding previous years' capital programmes.

Borrowing Strategy
Although it was unlikely that borrowing would be required in 2018/19 it was still best practice to approve a borrowing strategy and a policy on borrowing in advance of need. In considering a borrowing strategy the Authority needed to make provision to borrow short term to cover unexpected cash flow shortages or to cover any change in the financing of its Capital Programme.

Therefore the approved sources of long-term and short-term borrowing were:

- Public Works Loan Board;
- UK local authorities;
- any institution approved for investments;
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK;
- UK public and private sector pension funds.

In the past the Authority had raised all of its long-term borrowing from the Public Works Loan Board, but it continued to investigate other sources of finance, such as local authority loans, the Municipal Bond Agency set up recently by the Local Government Association and bank loans, that may be available at more favourable rates.

Policy on Borrowing in Advance of Need
In line with the existing policy the Authority would not borrow more than or in advance of need purely in order to profit from the investment of the extra sums borrowed. However advance borrowing might be taken if it was considered that current rates were more favourable than future rates and that this advantage outweighed the cost of carrying advance borrowing. Any decision to borrow in advance would be considered carefully to ensure value for money could be demonstrated and that the Authority could ensure the security of such funds and relationships.

Debt Restructuring
Although the Authority's debt had arisen as a result of prior years' capital investment decisions it had not taken any new borrowing since 2007 as it had been utilising cash balances to pay off debt as it matured, or when deemed appropriate. Following the repayment of £3.3m of debt in 2017/18 it was anticipated that £2.0m of debt would be held at 31 March 2018. All the debt was from the Public Works Loans Board (PWLB) and was all at fixed rates of interest and was only repayable on maturity. The debt was taken out in 2007 when the base rate was 5.57% and when the Authority was earning 5.84% return on its investments. Given the high interest rates payable on these loans, relative to current interest rates, opportunities for debt repayment/restructuring had again been reviewed. The level of penalty applicable on early repayment of loans now stood at £877k. Outstanding interest payable between now and maturity was £1.684k, giving a gross saving of £807k. However 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, with examples being provided showing that an average rate of return on investments of 1.49% represented the breakeven position, whereby the penalty incurred and the loss of return on investments matched the saving in interest payable on the loan.

It was noted that other than during the current financial crisis, interest rates had never been at such a low rate. 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.

As an alternative it was possible to repay the loans as they stood and take out new loans at current interest rates. The interest chargeable on any new loans would depend on the maturity profile and hence to demonstrate the impact of this the maturity profiles for 10 years and 20 years had been considered and assumed that the loans were from the PWLB. Current interest rates on a 10-year loan were 2.25% which resulted in a net cost of £120k. Current interest rates on a 20-year loan were 2.75% which resulted in a net cost of £307k. As such the current penalty charge was too high to justify paying off the loan or restructuring it at the present time.

Investment Strategy

At 31 December 2017 the Authority held £39.7m invested funds, representing income received in advance of expenditure plus existing balances and reserves. In the past 12 months, the Authority's investment balance had ranged between £51.8m and £29.0m. The variation arose principally due to the timing of the receipt of government grants. It was anticipated that similar levels would be maintained in the forthcoming year.

Both the CIPFA Code and the CLG Guidance required the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money was to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Therefore in line with the guidance the Treasury Management Strategy was developed to ensure the Fire Authority would only use very high quality counterparties for investments. The Authority may invest its surplus funds with any of the counterparties outlined in the report, subject to the cash and time limits identified.

Consideration had been given to reducing the risk associated with the investment with other local authorities. Arlingclose, the County Council's Treasury Management Advisor, stated that they were "comfortable with clients making loans to UK local authorities for periods of up to 4 years, subject to this meeting their approved strategy. For periods longer than 4 years it was recommended that additional due diligence was undertaken prior to a loan being made. On this basis it was proposed that the investments to local authorities were limited as follows:

	Maximum individual investment (£m)	Maximum total investment (£m)	Maximum period
Up to 4 years	5	25	4 years
Over 4 years	5	25	10 years

The investment in LCC as part of the call account arrangement was excluded from the above limits. The balance on that account was dependent upon short term cash flows and therefore did not have a limit.

Whilst the investment strategy had been amended to allow greater flexibility with investments, any decision as to whether to utilise this facility would be made based on an assessment of risk and reward undertaken jointly between the Director of Corporate Services and LCC Treasury Management Team, and consideration of this formed part of the on-going meetings that took place throughout the year.

Currently all of the Authority's investments were with other local authorities. The Authority currently had access to a call (instant access) account with a local authority, which paid bank rate, which was currently 0.50%. Each working day the balance on the Authority's current account was invested to ensure that the interest received on surplus balances was maximised. In addition a long term loan had been placed with a UK local authority as outlined in the report.

The overall combined amount of interest earned on Fixed/Call balances as at 31 December 2017 was £0.198m on an average balance of £42.133m at an annualised rate of 0.62%. This compared favourably with the benchmark 7 day LIBID which averaged 0.17% over the same period, and was 0.12% above the current bank rate.

Specified and Non-specified Investments

The legislative and regulatory background to treasury management activities required the Authority to set out its use of “specified” and “non-specified” investments.

Specified Investments as defined by the CLG Guidance were those:-

- denominated in pound sterling;
- due to be repaid within 12 months of arrangement;
- not defined as capital expenditure by legislation, and invested with one of:
    - the UK Government;
    - a UK local authority, parish council or community council, or;
    - a body or investment scheme of “high credit quality”.

Non-specified investment was any investment not meeting the definition of a specified investment. The Authority did not intend to make any investments denominated in foreign currencies, nor any that were defined as capital expenditure by legislation, such as company shares. Non-specified investments would therefore be limited to long-term investments, i.e. those that were due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

The Authority may lend or invest money using any of the following instruments:-

- interest-bearing bank accounts;
- fixed term deposits and loans;
- callable deposits where the Authority may demand repayment at any time (with or without notice);
- certificates of deposit;
- bonds, notes, bills, commercial paper and other marketable instruments, and

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures.

The Authority prepared daily cash flow forecasts to determine the maximum period for which funds might prudently be committed. The forecast was compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments were set by reference to the Authority’s medium term financial plan and cash flow forecast.

Minimum Revenue Provision (MRP)

Under Local Authority Accounting arrangements the Authority was required to set aside a sum of money each year to reduce the overall level of debt. This sum was known as the Minimum Revenue Provision (MRP).

The Authority would assess their MRP in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

It was proposed to continue to utilise the Capital Financing Requirement (CFR) Method. This provided for a charge of 4% of the value of fixed assets, as measured on the balance sheet, for which financing provision had not already been made.

Whilst the Authority had no unsupported borrowing, nor had any plans to take out any unsupported borrowing it needed to approve a policy relating to the MRP that would apply if this were not the case. As such in accordance with the Local Government Act 2003, the MRP on any future unsupported borrowing would be calculated using the Asset Life Method. This would be based on a straightforward straight – line calculation to set an equal charge to revenue over the estimated life of the asset. Estimated life periods would be determined under delegated powers.

Assets held under PFI contracts and finance leases formed part of the Balance Sheet. This had increased the overall capital financing requirement and on a 4% basis the potential charge to revenue. To prevent the increase the guidance permitted a prudent MRP to equate to the amount charged to revenue under the contract to repay the liability. In terms of the PFI schemes this charge formed part of the payment due to the PFI contractor.

Prudential Indicators for 2017/18 (revised) to 2020/21 in respect of the Combined Fire Authority's Treasury Management Activities

In accordance with its statutory duty and with the requirements of the Prudential Code for Capital Finance and the CIPFA Code for Treasury Management, the Combined Fire Authority produced each year a set of prudential indicators which regulated and controlled its treasury management activities.

The report detailed the debt and investment-related indicators which provided the framework for the Authority’s proposed borrowing and lending activities over the next 3 years. These indicators would also be approved by Members as part of the Capital Programme approval process along with other capital expenditure related indicators, but needed to be reaffirmed and approved as part of this Treasury Management Strategy. It was noted that contained within the external debt limits there were allowances for outstanding liabilities in respect of the PFI schemes and finance leases for operational vehicles and photocopiers.

RESOLVED:- That the Authority:-

1. Approved the revised Treasury Management Strategy, including the Prudential Indicators, as set out in the report now presented.
2. Agreed the Minimum Revenue Provision calculation as set out in the report now presented.
3. Agreed the Treasury Management Policy Statement as presented.

72/17 RESERVES AND BALANCES POLICY

The Fire Authority held reserves to meet potential future expenditure requirements. The reserves policy was based on guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). It explained the difference between general reserves (those held to meet unforeseen circumstances), earmarked reserves (those held for a specific purpose) and provisions (where a liability existed but the extent and/or timing of this was uncertain). In addition, the policy identified how the Authority determined the appropriate level of reserves and what these were. The policy confirmed that the level of, and the appropriateness of reserves would be reported on as part of the annual budget setting process and as part of the year end accounting process.

Reserves and Balances Policy
The draft National Framework published in December included a section of reserves. The main components of which were that:-

- General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.
- Each fire and rescue authority should publish their reserves strategy on their website. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should provide information for at least two years ahead.
- Sufficient information should be provided to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan.
- Information should be set out in a way that is clear and understandable for members of the public, and should include:-

  - how the level of the general reserve had been set;
  - justification for holding a general reserve larger than five percent of budget;
  - whether the funds in each earmarked reserve were legally or contractually committed, and if so what amount was so committed; and
  - a summary of what activities or items would be funded by each earmarked reserve, and how these supported the fire and rescue authority's strategy to deliver good quality services to the public.

As such this year's reserves policy had been amended to reflect these draft requirements.

General Reserves

Review of Level of Reserves

In determining the appropriate level of general reserves required by the Authority, the Treasurer was required to form a professional judgement on this, taking account of the strategic, operational and financial risk facing the Authority. This was completed based on guidance issued by CIPFA, and included an assessment of the financial assumptions underpinning the budget, the adequacy of insurance arrangements and consideration of the Authority's financial management arrangements. In addition, the assessment should focus on both medium and long-term requirements, taking account of the Medium Term Financial Strategy (as set out in the draft budget report discussed later on the agenda). For Lancashire Combined Fire Authority this covered issues such as: uncertainty surrounding future funding settlements and the potential impact of this on the revenue and capital budget; uncertainty surrounding future pay awards and inflation rates; the impact of proposed changes to pension schemes; demand led pressures, risk of default associated with investments as set out in the Treasury Management Strategy, cost associated with maintaining operational cover in the event of Industrial Action etc.

The draft Local Government Finance Settlement for 2018/19 maintained the current 4-year settlement, hence barring exceptional circumstances; the Government expected these amounts to be presented to Parliament each year, up to 2019/20. This provided much greater certainty however, it was noted that there were only 2 years of the current multi-year settlement remaining before the Government aimed to implement greater business rates retention and the fair funding review of relative needs and resources. The actual details, and hence the impact of these were still unknown. Furthermore, the impact of Brexit on the national economy was still unknown. Therefore there was still a considerable degree of uncertainty over longer-term funding.

However, given the continuation of the 4-year settlement, the Treasurer considered it prudent to set the minimum target reserves level at £2.5m, 4.5% of the 2018/19 net revenue budget.

Should reserves fall below this minimum level the following financial year's budget would contain options for increasing reserves back up to this level. (Note, this might take several years to achieve.)

Given the limited scope to increase council tax without holding a local referendum the ability to restore depleted reserves in future years was severely limited. Hence any maximum reserve limit must take account of future anticipated financial pressures and must look at the long term impact of these on the budget and hence the reserve requirement. Based on professional judgement, the Treasurer felt that this should be maintained at £10.0m. Should this be exceeded the following year's budget would contain options for applying the excess balance in the medium term, i.e. over 3-5 years.

Level of General Reserves

The overall level of the general fund balance, i.e. uncommitted reserves, anticipated at the 31 March 2018 was £7.8m, providing scope to utilise approx. £5.3m of reserves.

Based on current assumptions and assuming council tax was increased by 3% each year, further drawdowns of £1.2m would be required to balance the revenue budget over the next 2 years, i.e. the remainder of the multi-year settlement. This would reduce our overall general reserve level to £6.6m at 31 March 2020, still within our target range. Based on this the Treasurer considered these were at an appropriate level to meet future expenditure requirements in 2018/19 and 2019/20.

It was noted that reserves were being used to fund recurring expenditure and hence this could only be a short term solution, with recurring savings being required in the longer term to offset the shortfall.

The report showed that allowing for a 3% council tax increase the level of general reserve at the end of March 2020 would be £2.7m, marginally above the minimum level, but would fall below this the following year. Hence over the medium term the general reserve would potentially fall below the 5% threshold identified by the Home Office.

Earmarked Reserves

Level of Earmarked Reserves
The earmarked reserves forecast at 31 March 2018 were £7.4m and a breakdown of these was considered by Members. It was noted that over half of the forecast anticipated balance of £6.9m as at 31 March 2023 related to the Private Finance Initiative reserve.

Based on this the Treasurer believed these adequate to meet future requirements in the long term.

Capital Reserves and Receipts

Capital Receipts had been created from underspends on the revenue budget in order to provide additional funding to support the capital programme in future years; as such they could not be used to offset any deficit on the revenue budget, without having a significant impact on the level of capital programme that the Authority could support.

Capital Receipts were generated from the sale of surplus assets, which had not yet been utilised to fund the capital programme. Under revised regulations, receipts generated between April 2016 and March 2019 could be used to meet qualifying revenue costs, i.e. set up and implementation costs of projects/schemes which were forecast to generate on-going savings. The on-going costs of such projects/schemes did not qualify. Whilst the Authority currently held £1.6m of capital receipts only £70k of this arose in the relevant time period. Given the small amount eligible we did not currently have any plans to use this in line with the new regulations and hence for the purposes of planning all capital receipts would be used to meet future capital costs, not qualifying revenue expenditure.

At 31 March 2018 the Authority anticipated holding £19.0m of capital reserves and receipts. It was anticipated that £6.7m of this would be used in respect of slippage from the 2017/18 capital programme; the most significant element of which related to Preston Fire Station where a joint Fire and Ambulance station was being pursued; although progress on agreeing this had been slow. Based on the capital programme presented elsewhere on the agenda, it was anticipated that a further £10.9m would be utilised by 31 March 2023, leaving a balance of £1.4m to fund future capital programmes. Based on this the Treasurer believed these adequate to meet future requirements in the medium term.

It was noted that no allowance had been built into the capital programme for the potential relocation of Service Headquarters. If this was included in the 5-year capital programme then all capital reserves and receipts would be utilised to fund this, as well as potentially requiring additional borrowing.

Provisions

The Authority had two provisions to meet future estimated liabilities:-

Insurance Provision
This covered potential liabilities associated with outstanding insurance claims. Any claims for which we had been notified and where we were at fault would result in a legal commitment, however as the extent of these could not be accurately assessed at the present time this provision was created to meet any element of cost for which we were liable, i.e. which were not reimbursable from insurers as they fell below individual excess clauses and the annual self-insured limits. This provision of £0.4m fully covered all estimated costs associated with outstanding claims.

Business Rates Collection Fund Appeals Provision
This covered the Authority's share of outstanding appeals against business rates collection funds, which was calculated each year end by each billing authority within Lancashire based on their assumptions of outstanding appeal success rates, as part of their year-end accounting for the business rates collection fund. At 31 March 2017 this provision stood at £0.7m to cover anticipated costs of outstanding business rates appeals.

The Treasurer felt that the level of provisions was sufficient to meet future requirements in the medium term.

Summary Reserve Position

The anticipated position in terms of reserves and balances showed the overall level reducing to approximately £17m by 31 March 2020, the end of the current four-year settlement period and reducing down to £8m by March 2023. Up to 31/3/2020 the Authority remained in a healthy position. The reduction in the level of reserves became more of a concern thereafter with the general reserves potentially falling below the minimum target level, but this position would be subject to significant change as funding, inflation, pay awards and other pressures all became clearer in future years. The annual refresh of this policy would identify the impact of any changes as they developed.

RESOLVED: - That the Authority approved the Reserves and Balances Policy and the level of reserves included within it.

73/17 CAPITAL BUDGET 2018/19 - 2022/23

A report was presented to the meeting in December requesting Members to give initial consideration to the Capital Programme for 2018/19-2022/23. The draft capital programme had been updated to reflect additional expenditure requirements associated with the replacement of Preston Fire and Ambulance Station. Additionally a lower requirement was being forecast in terms of officer cars than originally anticipated. Allowing for these changes the revised programme stood at £20.9m.

A full breakdown of the programme was considered by Members.

The majority of the expenditure in the capital programme related to:-

- The on-going vehicle replacement programme;
- Replacement of operational equipment in line with assets lives;
- Building projects; and
- Replacement of ICT equipment in line with the current Asset Management Plan.

It was noted that the full cost of schemes was included in the year in which work was anticipated to start.

As presented previously no allowance had been made for the potential relocation of Service Headquarters, as this project was due to be reviewed in 2018/19. The programme as presented would need updating if the Authority decided to pursue the relocation.

A further report would be presented to the Resources Committee in June, confirming the final year end capital outturn for 2017/18 and the impact of slippage from this on the programme outlined.

A number of vehicles had protracted lead times in excess of 12 months. Therefore in order to deliver vehicles in line with their replacement timeframes it was necessary to order pumping appliances, water towers and Aerial Ladder Platforms (ALP's) at least 12 months prior to their planned replacement. As such orders in respect of 3 pumping appliances and 1 ALP scheduled for replacement in 2019/20 would need to be ordered in the new financial year.

Available Resources

The draft capital budget report identified total available funding of £22.4m to be used in the period.

The Local Government Finance Settlement did not include any reference to any other future capital grant and hence no allowance has been made for this.

The final funding for the programme is set out below:-

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Grant	-	-	-	-	-	**-**
Capital Receipts	-	-	1.018	0.060	-	**1.078**
Capital Reserves	5.998	3.811	0.905	-	(0.842)	**9.872**
Revenue Contributions	2.000	2.000	2.000	2.000	2.000	**10.000**
Earmarked Reserves	-	-	-	-	-	**-**
	7.998	**5.811**	**3.923**	**2.060**	**1.158**	**20.950**

Summary Position

The capital programme breaks even over the 5 year period:-

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Requirements	7.998	5.811	3.923	2.060	1.158	**20.950**
Capital Funding	7.998	5.811	3.923	2.060	1.158	**20.950**
Surplus /(Shortfall)	**-**	**-**	**-**	**-**	**-**	**-**

The overall programme showed a balanced position and hence the capital programme was considered affordable, prudent and sustainable.

Capital Reserves/Receipts

The table in the report showed the anticipated movements on both capital reserves and capital receipts during the course of the 5-year programme, showing that at the end of the 5 year programme the Authority would still hold £1.4m which could be used to supplement the revenue contributions in future years, thus providing a sustainable capital position in the medium term

Prudential Indicators

The Prudential Code gave the Authority increased flexibility over its level of capital investment and much greater freedom to borrow, should this be necessary, to finance planned expenditure. However, in determining the level of borrowing, the Authority must prepare and take account of a number of Prudential Indicators aimed at demonstrating that the level and method of financing capital expenditure was affordable, prudent and sustainable. Members considered the Indicators that were set out at Appendix 1 now presented, along with a brief commentary on each.

The main emphasis of these Indicators was to enable the Authority to assess whether its proposed spending and its financing was affordable, prudent and sustainable and in this context, the Treasurer's assessment was that, based on the Indicators, this was the case for the following reasons: -

- In terms of affordability, the negative ratio of financing costs arising from borrowing reflected interest receivable exceeding interest payable and Minimum Revenue Provision payments in each of the three years. This reflected the effect of the previous decision to set aside monies to repay debt.
- The estimated impact of the planned spends on the Band D Council Tax was again felt to be within affordable limits. The overall impact on council tax in 2018/19 was £34.05 per Band D property (50% of total council tax). However, all of this arose from the utilisation of capital reserves, which had been charged to council tax in previous years and the revenue contributions to support capital expenditure built into the 2018/19 revenue budget. The actual impact of the capital programme in terms of new borrowing was £0.00 per band D property (0% of total council tax).
- In terms of prudence, the level of capital expenditure, in absolute terms, was considered to be prudent and sustainable at an annual average of £8.5m over the 3-year period after allowing for anticipated slippage from 2017/18. The trend in the capital financing requirement and the level of external debt were both considered to be within prudent and sustainable levels. No borrowing was planned during the three years.

RESOLVED: - That the Authority approved:

1. the Capital Budget;
2. the order of 3 pumping appliances and 1 ALP, scheduled for replacement in 2019/20, in the new financial year in order to meet delivery timeframes; and
3. the Prudential Indicators as presented.

74/17 REVENUE BUDGET 2018/19 - 2022/23

At its last meeting in December 2017 the Authority gave initial consideration to the draft revenue budget, authorised consultation with representatives of non-domestic ratepayers and Trade Unions on the draft budget proposals and agreed to give further consideration to the budget at their next meeting on the 19th February 2018.

Budget Requirement
A draft budget of £54.5m was presented to the December meeting at which time the Treasurer spoke about the uncertainty on pay awards and that since writing the report a 2% pay offer had been made to green book staff. Whilst discussions were still on-going in connection with this offer, and the grey book pay award, it now appeared highly likely that the allowance included in the draft budget was insufficient. As such the draft budget had been amended to allow for a 2% pay award for green and grey book personnel for each year up to and including 2019/20. The pay awards for subsequent years were already included at a higher rate than this and hence had remained unchanged.

It was noted that a pay offer had been made to Fire-fighters in Scotland which equated to a 20% increase over the next 4 years; this included a 6.5% increase in 2018/19, significantly higher than that allowed for in our budget. The forecast whole-time establishment position had also been updated reflecting the latest staffing numbers and recruitment/retirement projections. These were the only changes made to the budget and resulted in an increased budget requirement in 2018/19 of £55.1m.

Government Funding Settlement

At the time of presenting the draft budget the draft Local Government Finance Settlement had not been published. This was released on 19 December, with the final settlement being announced on 6 February, which reaffirmed next year's funding as £24.3m. Next year's settlement would be the last of the current four-year settlement and in line with this a further funding reduction of £0.5m was anticipated. There was still no indication of what the settlement would look like after 2019/20. However the Government's Autumn Budget published in November 2017 indicated that the economy was still struggling, that debt remained higher than anticipated and hence it appeared likely that austerity would continue, albeit at a reduced pace. Furthermore the Government was currently consulting on a Fair Funding Review (as detailed later on the agenda) which would set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence, with the outcomes of this anticipated to impact on the settlement in 2020/21 and beyond. Running alongside this the Government had restated its intention to increase the level of business rates that were retained locally, increasing this to 75% by April 2020. The impact of these changes was unclear at the moment and hence it was assumed funding would be frozen in future years.

Business Rate Adjustments

The draft budget presented in December included an estimate of Section 31 Grants in respect of business rate reliefs, and an estimate in respect of the business rate collection fund. These had now been updated to reflect the final position provided by billing Authorities at the end of January.

Council Tax 2018/19

Billing authorities had also provided final council tax base figures and the council tax collection fund figures.

The Government had amended the council tax referendum limits throughout the remainder of the four year settlement period, recognising higher inflationary pressures, and hence the limit for all Fire Authorities had been set at 3% for 2018/19 and 2019/20. No indication of future limits had been given.

Based on the assumptions outlined, the budget requirement would result in a council tax increase of 4.0%, exceeding the referendum limit, and as such the Authority would need to reduce the budget requirement by £0.3m.

Each 1% increase in council tax in 2018/19 generated an additional £0.3m of precept, and equated to a £0.65 increase in the annual council tax figure.

As reported in the draft budget our council tax of £65.50 was still below the national average of £72.80, and was the eighth lowest of any Fire Authority. Furthermore, our council tax increases of 2.9% over the last 6 years had been significantly lower than the sector average of 10.5% and were the joint lowest of any Fire Authority. It was noted that Fire accounted for less than 5% of the overall council tax charged for in Lancashire.

Further Savings Opportunities

The Authority had been extremely successful at delivering efficiency savings, delivering £18.5m between April 2011 and March 2018. This budget had identified further savings of £0.8m in 2018/19 and £0.3m in future years. However it was clear that the scope to deliver further savings was extremely limited, with the majority of departments struggling to balance demands against capacity. As such it may be possible to deliver further in year savings in the next two years by delaying expenditure and targeting an in-year underspend offsetting some of the funding shortfall, but the scope to utilise this to balance future budgets appeared limited.

Reserves and Balances
As set out in the Reserves and Balances Policy reported elsewhere on this agenda, a reasonable level of reserves was needed to provide an overall safety net against unforeseen circumstances which could not be contained within the base budget. In addition, they also enabled the Authority to provide for expenditure, which was not planned at the time the budget was approved, but which the Authority now wished to implement and to smooth out large fluctuations in spending requirements and/or funding available.

In line with guidance issued by CIPFA a review of the strategic, operational and financial risk facing the Authority was undertaken each year to identify an appropriate level of reserves to hold, this included an assessment of the financial assumptions underpinning the budget, the adequacy of insurance arrangements and consideration of the Authority's financial management arrangements. The assessment focused on both medium and long-term requirements, taking account of the Medium Term Financial Strategy and the draft budgets.

This had identified:-

- A minimum target reserve level of £2.5m, 4.5% of the 2018/19 net revenue budget, reflecting the four year settlements but still maintained at a reasonable level due to on-going economic uncertainty, uncertainty on pay awards and the underlying risks within the budget;
- the maximum reserve limit was maintained at £10.0m.

At 31 March 2018 we anticipated holding £7.8m, providing scope to utilise approx. £5.3m of reserves. As such reserves could be used to deliver a balanced budget in 2018/19. It should be noted that utilising reserves in this way meant they were being used to fund recurring expenditure and hence this could only be a short term solution, with recurring savings being required in the longer term to offset the shortfall. However having reviewed the level of general reserves required and the anticipated utilisation of these, the Treasurer considered these were at an appropriate level to meet future expenditure requirements in 2018/19.

In addition to the general reserves the Authority also held earmarked reserves, created for specific purposes to meet known or anticipated future liabilities, capital reserves and receipts, to provide additional funding to support the capital programme in future years, and provisions for outstanding insurance claims and potential business rate appeals. Further details relating to these were included in the reserves policy and based on the professional opinion of the Treasurer these were adequate to meet future requirements in the medium term.

Council Tax 2019/20 and beyond
As highlighted earlier, funding up to and including 2019/20 formed part of the multi-year settlement and hence all other things being equal was set. Funding beyond this period was unknown, but was assumed to be frozen at £23.8m.

Based on this the draft budget as presented delivered council tax increases in excess of 3% in future years, above the existing referendum limit.

As previously advised, holding a referendum was extremely expensive, costing in excess of £1m, and was unlikely to deliver an increase in excess of the 3% threshold. As such we would need to either deliver additional savings or utilise reserves in order to balance the budget in future years, the extent of which was dependent upon current and future council tax decisions, and the accuracy of expenditure and funding forecasts.

As such the following council tax scenarios had been modelled:-

- A 3% increase in council tax each year, including 2018/19 (note there is no indication that the referendum limits will be maintained at 3% beyond 2019/20);
- A 2% increase in council tax each year, including 2018/19;
- A 1% increase in council tax each year, including 2018/19;
- A council tax freeze each year, including 2018/19.

The following table set out the funding shortfall anticipated each year:-

	2018/19	2019/20	2020/21	2021/22	2022/23
A 3% increase in council tax each year	(£0.3m)	(£1.2m)	(£1.7m)	(£2.2m)	(£2.6m)
A 2% increase in council tax each year	(£0.6m)	(£1.7m)	(£2.6m)	(£3.5m)	(£4.3m)
A 1% increase in council tax each year	(£0.9m)	(£2.3m)	(£3.5m)	(£4.8m)	(£5.9m)
A council tax freeze each year	(£1.2m)	(£2.9m)	(£4.4m)	(£6.0m)	(£7.4m)

Assuming general reserves were used to balance the overall position each year, they were sufficient to balance the budget throughout the period of the current 4-year settlement. However they were only a short term solution, and based on the current assumptions included in the budget, and allowing for a 3% council tax increase each year, they would fall to our minimum level by the end of 2021/22. Furthermore the utilisation of reserves would still leave a recurring funding gap that would need to be offset by savings at a future point in time, and scope to do so was limited.

Summary Council Tax options 2018/19
In considering its council tax requirements for 2018/19 the Authority aimed to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focused on the need to:-

- deliver services as outlined in the Risk Management Plan and other plans;
- maintain future council tax increases at reasonable levels;
- continue to deliver efficiencies in line with targets;
- continue to invest in improvements in service delivery and facilities;
- set a robust budget that takes account of known and anticipated pressures;
- maintain an adequate level of reserves.

The draft budget as set out in this report achieved these objectives, but showed a budget reduction requirement of £0.3m in order to deliver a balanced budget based on a 3% increase in council tax. This could be achieved by including an unidentified savings target of £0.3m in 2018/19. The detailed resolution relating to this option shown in Appendix 1 was considered by Members.

It was noted that there had not been any responses to the budget consultation exercise.

In the professional opinion of the Treasurer, the budget had been prepared on a robust basis and the reasons for this opinion were set out in the report.

The option based on a council tax increase of 2.99%, £1.96, resulting in a council tax of £67.46 for a Band D property was MOVED by County Councillor F De Molfetta and SECONDED by County Councillor M Parkinson. The Clerk held a recorded vote and the names of Members who voted for or against the Motion and those who abstained are set out below:

<u>For (22)</u>
L Beavers, P Britcliffe, I Brown, S Clarke, D Coleman, F De Molfetta, J Eaton, N Hennessy, S Holgate, D Howarth, F Jackson, A Kay, Z Khan, M Khan, T Martin, E Oades, D O'Toole, M Parkinson, M Perks, J Shedwick, D Smith and M Tomlinson.

<u>Against (0)</u>

<u>Abstained (1)</u>
T Williams

The Motion was CARRIED and it was:

<u>RESOLVED</u>: - That the Authority:

1. note the Treasurer's advice on the robustness of the budget;
2. note the Treasurer's advice on the appropriate level of reserves/balances;
3. agree the revised gross budget requirement of £54.770m for 2018/19;
4. note the section 31 grant of £0.764m due in respect of the business rate reliefs;
5. agree the final budget requirement, net of the section 31 grant of £54.006m for 2018/19;
6. note the level of Revenue Support Grant £9.262m;
7. note the level of Business Rates Retention Top Up Funding £10.865m;
8. note the level of Local Business Rates Retention Funding £4.200m;
9. note the business rate tax collection fund surplus of £0.112m;
10. note the council tax collection fund surplus of £0.398m;
11. agree the council tax requirement, calculated in accordance with Section 42A(4) of the Localism Act of £29.169m;
12. note the council tax base of 432,384 determined for the purposes of Section 42B of the Local Government Finance Act 1992;
13. agree a council tax band D equivalent of £67.46, an increase of £1.96 (2.99%), calculated by the Authority under Section 42B of the Local Government Finance Act 1992 agree, on the basis of the fixed ratios between valuation bands set by the Government, council tax for each band as follows:

Band A	£44.97
Band B	£52.47
Band C	£59.96
Band D	£67.46
Band E	£82.45
Band F	£97.44
Band G	£112.43
Band H	£134.92

14. agree, based on each district and unitary councils share of the total band D equivalent tax base of 432,384, the share of the total LCFA precept of £29.169m levied on each council as follows:

Blackburn With Darwen Borough Council	£2,316,706
Blackpool Borough Council	£2,443,334
Burnley Borough Council	£1,559,540
Chorley Borough Council	£2,469,993
Fylde Borough Council	£2,007,002
Hyndburn Borough Council	£1,383,335
Lancaster City Council	£2,779,352
Pendle Borough Council	£1,596,205
Preston City Council	£2,509,647
Ribble Valley Borough Council	£1,544,969
Rossendale Borough Council	£1,364,648
South Ribble Borough Council	£2,397,582
West Lancashire District Council	£2,349,488
Wyre Borough Council	£2,446,794
TOTAL	£29,168,595

75/17 FAIR FUNDING REVIEW: A REVIEW OF RELATIVE NEEDS AND RESOURCES

The report set out details of the consultation paper on a review of Government Funding for local authorities. It was noted that the consultation was open until 12 March 2018 and that the Authority's response would look to build on the national response submitted by the National Fire Chiefs Council.

Funding baselines for local authorities, as determined by the local government finance settlement, were based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over 10 years ago, and had not been updated since the introduction of the 50% business rates retention system in 2013/14. Since that time, demographic pressures had affected local areas in different ways, as had the cost of providing particular services. In recognition of these pressures, the Government last year announced a review to address concerns about the fairness of current funding distributions. The outcome of this review would enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they would continue to have greater control over the money that they raise.

The Government had identified a set of principles to guide the work of the fair funding review as: Simplicity; Transparency; Contemporary, Sustainability; Robustness and Stability.

Fire and Rescue Services
The cost of providing a fire and rescue service was driven by risk, rather than purely by demand. As a result many of the cost drivers were unique to this service area. The current fire and rescue services' formula consisted of a basic allocation of funding per resident, with adjustments for coastline, population density and sparsity, deprivation, fire risk areas, community fire safety and other area costs. These elements included indicators of both the risk of requiring a fire service response, such as the risk of dwelling fires occurring, as well as indicators of the cost of providing fire service cover, for example as a result of population sparsity.

It was noted that funding for national resilience capabilities, including urban search and rescue and high volume pumps, was distributed outside of the local government finance settlement.

Questions specific to Fire were:-

- Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services?
- Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

RESOLVED: - that responsibility be delegated to the Treasurer in consultation with the Chairman and Chief Fire Officer for agreeing a response to the consultation, following publication of the National Fire Chiefs Councils response.

76/17 FIRE PROTECTION REPORTS

A report detailing prosecutions in respect of fire safety management failures and arson related incidents within the period 1 December 2017 to 1 February 2018 was provided. There were 2 prosecutions, 1 caution and 2 premises in Blackpool under investigation under the Regulatory Reform (Fire Safety) Order 2005.

Fire protection and business support information was provided and Members noted that there were 3 arson convictions during the period.

RESOLVED: - That the Authority noted the report.

77/17 COMMUNITY FIRE SAFETY REPORTS

This report included information for the 2 Unitary and 12 District Authorities relating to Fire Safety Initiatives and Fires and Incidents of particular interest.

RESOLVED: - That the Authority noted the report.

78/17 MEMBER COMPLAINTS (STANDING ITEM)

The Monitoring Officer confirmed that there had been no complaints since the last meeting.

RESOLVED: - That the current position be noted.

79/17 DATE OF NEXT MEETING

The next meeting of the Authority would be held on Monday 23 April 2018 at 10:00am at the Training Centre, Euxton.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood