LANCASHIRE COMBINED FIRE AUTHORITY

Monday, 20 February 2017 at 10.00 am in Washington Hall, Service Training Centre, Euxton

MINUTES

PRESENT:

F De Molfetta (Chairman)

Councillors

T Aldridge	D O'Toole
A Barnes	E Oades
P Britcliffe	M Parkinson (Vice-Chair)
K Brown	N Penney
T Burns	M Perks
C Crompton	R Shewan
M Green	D Smith
S Holgate	D Stansfield
M Khan	V Taylor
Z Khan	T Williams
A Matthews	

62/16 APOLOGIES FOR ABSENCE

Apologies were received from County Councillors Sumner and Shedwick and Councillor Jackson.

63/16 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

County Councillors Aldridge and Penney individually declared a non-pecuniary interest in relation to Item 8 on the agenda, the Integrated Risk Management Plan as both were Members of Lancashire County Council Development Control Committee; the body that deals with applications for planning permission and mineral extraction developments and for developments proposed by the County Council.

64/16 MINUTES OF PREVIOUS MEETING

The Director of Corporate Services advised Members that in relation to the Retained Duty System Pay Review (resolution 55/16 refers) that the Fire Brigade Union had now held a vote and the result had been in favour of supporting the proposed scheme. However, this would need to be ratified at their next regional meeting which could result in a delay to implement the scheme beyond 1 April 2017.

RESOLVED: - That the Minutes of the CFA held on 19 December 2016 be confirmed and signed by the Chairman.

65/16 MINUTES OF MEETING WEDNESDAY, 18 JANUARY 2017 OF NORTH WEST FIRE FORUM

RESOLVED: - That the proceedings of the North West Fire Forum held on 18 January 2017 be noted.

66/16 MINUTES OF MEETING THURSDAY, 26 JANUARY 2017 OF AUDIT COMMITTEE

RESOLVED: - That the proceedings of the Audit Committee held on 26 January 2017 be noted.

67/16 MINUTES OF MEETING MONDAY, 30 JANUARY 2017 OF PLANNING COMMITTEE

RESOLVED: - That the proceedings of the Planning Committee held on 30 January 2017 be noted.

68/16 INTEGRATED RISK MANAGEMENT PLAN 2017-2022

The Deputy Chief Fire Officer presented the report. Integrated risk management planning provided Lancashire Fire and Rescue Service (LFRS) with the opportunity to detail what the Service aimed to do to identify and consider the full range of fire and rescue related risks across Lancashire. This ensured that both our communities and other interested parties were provided with details of how we intend to fulfil our responsibilities in a clear, cohesive manner.

At the Planning Committee meeting on the 21 November 2016, Members endorsed the publication of the draft Integrated Risk Management Plan (IRMP) 2017-22 for consultation over a six week period from 28 November 2016 to 8 January 2017. Following the consultation period a final version of the plan was presented to Members of the Planning Committee on 30 January 2017, with a detailed report on the consultation process, its outcomes and any resulting amendments that were recommended for incorporation within the final version of the plan. Members of the Planning Committee agreed that the consultation undertaken was sufficient and endorsed the proposed amendments which had been incorporated into the final version as now presented.

The new Integrated Risk Management Plan (IRMP) 2017-2022 would be the Authority's replacement for the current IRMP 2013-2017. This plan had been developed to be an overarching, enabling document which provided hyperlinks to all of LFRS's strategic documents, such as the Annual Service Plan and Strategic Assessment of Risk. This delivered the opportunity for the Service to remain in a progressive position over the lifespan of the IRMP as these links would provide the pathways to the most up-to-date documents. This plan did not however detail the Emergency Cover review; this would be undertaken and consulted upon separately during 2017/18.

Our Values had been brought to life with enhanced definitions of the STRIVE acronym, this provided the building blocks to support our staff to continue to develop a working environment in which everyone could feel engaged, valued and respected.

The strategic risks that had been previously documented within the IRMP had been removed as they were now referenced within the Strategic Assessment of Risk. This new publication provided a comprehensive assessment of fire and rescue related risk to facilitate an improved risk picture that was refreshed and updated on an annual basis.

The Community Safety Strategy had been encapsulated within the IRMP highlighting the importance of the inter-locking components of Start Safe, Live Safe, Age Safe and Road Safe that remained at the core of our approach to reducing risk and improving public safety. As approved by the Planning Committee, this removed the requirement for a separate Community Safety Strategy.

Significant progress had been made with Climate Change and Environment responsibilities which were now thoroughly embedded and entrenched within Service planning, policies and procedures. Therefore the Climate Change and Environment Strategy had been encompassed within this new IRMP, thus negating any further need for a separate Climate Change and Environment Strategy document.

The approved IRMP 2017-22 would be published in early April 2017 and available to access/download from the LFRS website. The IRMP would be maintained on an annual basis to ensure that all links within the document were up-to-date and relevant.

A concern was raised by CC Oades on behalf of Treales, Roseacre and Wharles Parish Council regarding the Service's preparedness for an incident from fracking. Members considered the issue of fracking to be more a matter for the Lancashire County Council Development Control Committee however; reassurance was provided that the Service's approach to risk management would ensure the development of appropriate plans in line with the identification of any potential risks.

RESOLVED – That the Authority approved the Integrated Risk Management Plan 2017-22 for publication.

69/16 APPOINTMENT OF EXTERNAL AUDITORS

The Director of Corporate Services advised that the current external audit appointment ended following the conclusion of the 2017/18 audits. As such the Authority would need to make alternative arrangements for appointing an auditor. In order to do so the Authority had 3 options:

- Follow a sector led body;
- Set up an Audit Panel, undertake a procurement process and make a stand-alone appointment;
- Set up a Joint Auditor Panel, undertake a joint procurement panel and make a joint appointment.

In March 2016 a report was presented to the Audit Committee (as now considered by Members) which looked at these options and the Audit Committee agreed that following a sector led body was the best option to pursue at the time, minimising procurement costs and resource, maximising buying power and hence was likely to result in the lowest fees. Hence it was resolved "That the Committee agree to support the Local Government Association in setting up a national Sector Led Body by indicating an intention to opt-in." (Resolution 22/15 refers.)

Further details relating to the sector led approach were presented to the Audit Committee in January 2017 (as now considered by Members). Audit Committee Members had expressed concern that the audit fees would only be consulted on in the autumn, after the contracts had been awarded and asked for a more comprehensive report to be presented to the Authority at this meeting.

The Director of Corporate Services advised that the current situation remained as set out in the report, namely that the current contract expired and that a new contract must be in place by December 2017. The Authority could not have a period where it did not have an appointed external auditor.

Members considered the advantages and disadvantages of each option.

It was noted that currently 330 Authorities (more than 70% of all authorities) had opted in to the national sector led solution via Public Sector Audit Appointments. The Director of Corporate Services / Treasurer was not aware of any other Lancashire based Authority or any other Fire Authority that was pursuing a different option.

The concerns expressed by the Audit Committee revolved around the cost of the audit not being known until the Autumn consultation, after the contract had been awarded, and a question as to whether undertaking our own exercise would deliver a better value solution. The contract award criteria was split 50% on price and 50% on quality, hence it was clear that achieving a competitive price remained at the forefront of the exercise.

A national procurement exercise should provide greater buying power, clearly minimised individual authorities procurement costs, especially any costs associated with establishing and servicing an independent auditor appointment panel, and hence should deliver the greatest value for money. As such this was recommended as the best option to pursue.

<u>RESOLVED:</u>- that the Authority approve to opt-in to the national procurement being undertaken by Public Sector Appointments.

70/16 <u>NEXT STEPS FOR FIRE REFORM - MINISTERIAL SPEECH - 7 FEBRUARY 2017</u>

The Chief Fire Officer advised that on 7 February 2017 ACO Russel attended a speech organised by a government think tank, Reform in London. Lancashire Fire & Rescue Service (LFRS) were one of 35 Fire and Rescue Services (FRS) represented. The Rt Hon Brandon Lewis, Minister for Policing and the Fire Service, gave a 30 minute speech on the "Next Steps for Fire Reform". The tone of the speech recognised some progress had been made in improving the FRS but it had to go "further and faster". He linked this speech to those from previous years to emphasise reoccurring themes that had still to be addressed which were: Outdated Working Policies; Lack of Diversity; No Independent Scrutiny; and Improving Procurement Procedures.

The lack of independent scrutiny would be remedied by the introduction of a new Inspectorate for the Fire Service looking at efficiency and effectiveness, with particular reference to response and prevention, Value for Money (VFM), understanding demand and future risks, together with its leadership, training, diversity, values and culture. These areas would be complemented by thematic inspection, the first area being diversity, flexible employment and collaboration. Inspections would commence this year and be complemented by a transformed peer review process.

Greater transparency and accountability would also be facilitated by the introduction of a new website providing incident and performance data. It would mirror the police approach including information of Chief Fire Officers' pay, expenditure, accounts, efficiency plans and workforce composition.

Regarding the Policing and Crime Act he confirmed the new term of Police, Fire and Crime Commissioners. He did not propose a blanket takeover of FRS by these commissioners but did emphasise that a local business case could be made and that FRA were obliged to co-operate in preparing this. The objection of a FRA to any proposed change would not be enough on its own to prevent a change occurring. He emphasised the opportunity to make closer and stronger links between fire and police, and for FRA to work closer with Police and Crime Commissioners to get the best outcome for their Communities.

The Minister indicated his intention to work productively with the newly constituted National Fire Chiefs Council (NFCC), which he viewed as the operational voice of the FRS. Also mentioned was the Chief Fire Officers Association's (CFOA) work on peer review, procurement and standards. There was also an increased emphasis on collaboration and he highlighted best practice with some examples provided.

To provide a consistent standard to test against, the Minister announced his intention to set up an Independent Standards Body. This would provide guidance and standards on leadership, workforce development, equality and diversity and codify effective practice. This could be integrated within or affiliated to the College of Policing.

Reference was made to culture and the Adrian Thomas Review which would be considered by Members as a separate item later on this agenda. Suffice to say, great emphasis was made on diversity and the workforce composition reflecting the communities they served.

The speech reminded the audience of the disparity in the cost of some goods procured by FRS exposed in a recent Home Office Survey. He intended to extend the 'basket of goods' exercise in the spring to include training procurement and facilities management and then to repeat the whole exercise again in the autumn.

The experience in Lancashire had been that we paid below average on 18 of the 24 items. For 7 items, we were 25% cheaper than national average. Of the 6 areas where we were deemed above average, only 3 of these exceeded the average by more than 10%. These could be explained by the increased complexity or high quality of goods we are procuring. For example, we bought wicking T-shirts which were £2.00 more expensive than cotton to increase comfort and reduce the risk of flash burns. Desktop PCs were relatively few in number and predominantly reserved for high end CAD and GIS applications, hence they were more expensive. Our general use of thin client servers was far cheaper than laptops. Our BA sets cost £1,100 compared to an average of £795 for a basic set. However, our high tech approach included telemetry that automatically updated information held outside the working area and provided a communications link in emergencies.

The next expected steps for the government were to enshrine its stated direction of travel with a refreshed National Framework, to be published later this year. This would clarify national expectations and responsibilities. Under the Fire and Rescue Services Act 2004, FRA "must have regard to the Framework in carrying out their functions". If an Authority failed to act in accordance with the Framework, the Secretary then had powers of intervention.

It was worth noting that the Home Office had just instigated a 3 month investigation in Avon Fire & Rescue Authority, which could be an indication of government adopting a more proactive approach in the future.

RESOLVED: - that Members noted the contents of the report.

71/16 ADRIAN THOMAS' INDEPENDENT REVIEW OF CONDITIONS OF SERVICE FOR FRS STAFF IN ENGLAND - FEBRUARY 2015

A report regarding the publication of the Adrian Thomas Review on Conditions of Service was presented at the last CFA meeting in December 2016, where it was agreed (resolution 54/16 refers) that a detailed assessment of the Service's position against the findings of the report would be presented to this Authority meeting.

The Director of People and Development advised that the publication of the report in November 2016 was over two years after the Report was commissioned and a number of comments made had now become historical in context or overtaken by events. Similarly, LFRS could demonstrate its position in a favourable light in respect of many of the findings, as the Service/Authority did do in respect of the Sir Ken Knight Review. In effect, many of the issues directly in LFRS' control were being progressed within existing activity.

Given the report only covered England and not the whole of the UK, the Local Government Association was considering the review through its Fire Services Management Committee prior to consideration at the NJC, which would then involve the devolved administrations and the unions. These detailed discussions were on-going. However it was clear the Report's recommendations had the potential to impact to varying degrees on the Authority. So it was considered prudent to consider the thrust and direction of the Report when framing and further developing LFRS' main Human Resources and Organisational Development activities. In this respect, an early gap analysis had been undertaken between the Report's recommendations and the Service's position which was considered by Members. It was hoped that the gap analysis would also be beneficial in future interactions with the proposed inspectorate regime.

Key Themes

Employment costs were a significant element, if not the majority of costs for all Fire Services.

The main findings were summarised in pages 12-18 of the Report.

The themes emerging for consideration in the sector were:

- How could some authorities make progress whilst others do not;
- Greater cross fertilisation of issues should be developed (institutional learning);
- The Conditions of Service and negotiation arrangements should be “modernised” including Role Maps and Duty Systems and content;
- Issues in respect of employee engagement including culture and trust, including equality & diversity and bullying and harassment issues;
- National Leadership development/standards;
- Remove the Right to Strike;
- Greater use of Retained Duty System, ie more RDS appliances;
- Future Recruitment.

The key strap line was “where change is common sense, it should become common practice”.

Contained within the findings were many other areas such as governance and pay statements.

Whilst the content of the Report, in some areas, was not considered robust, the thrust was in line with the Service’s HR strategies and should not be a significant issue in any inspection regime process.

RESOLVED: - That the assessment of the Service’s position against the findings of the Report and the current position be noted.

72/16 PAY POLICY STATEMENT FOR 2017/18

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 2017/18 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 2017/18 would be bound by and must comply with the 2017/18 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 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 responsibilities were undertaken by the Director of Corporate Services and the Monitoring Officer 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 receive their annual award. The linkage was agreed to last for five years and was due for review in 2018. 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 was found in the Fire Authority's Statement of Accounts and on the Authority's website.

<u>Objectives of the Policy</u>
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 increase in 2016/2017 were: i) 1% for staff covered by the "grey book" (wef 1 July 2016); ii) A two year settlement (headline 1% in each year wef 1 April 2016 & 1 April 2017) for 'green' book posts and iii) 1% for Principal Officers (wef 1 July 2016), in accordance with the agreed linkage to "grey book" staff and satisfactory performance. The next anniversary dates for "grey book" and Principal Officers pay was anticipated to be 1 July 2017, whilst the green book pay-award effective date would be April 2017.

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. Currently no local variances apply.

There are 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 which is 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.

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 £13,715 to £15,207 pa. £13,715 equated to £7.26 per hour. The minimum a current employee was receiving was £15,207.

The Chief Fire Officer’s earnings ratio was 1: 11.16 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: 4.98.

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

73/16 'STRENGTHENING AND IMPROVING OUR RETAINED SERVICE' - RETAINED SUPPORT OFFICERS

The Assistant Chief Fire Officer advised that in April 2016 a programme of work was initiated aimed at Strengthening and Improving our Retained Service. The focus was to develop a programme which would deliver tangible improvements and further build on what was already an excellent retained service in Lancashire. Following extensive engagement with Retained Duty System (RDS) staff, six Task and Finish Groups were established: i) Introduce a new RDS Support Officer Role; ii) Appliance Availability; iii) Peer Support; iv) Technology; v) Think RDS; and vi) Communications.

The Assistant Chief Fire Officer provided an overview of the work which one of the Task and Finish Groups had recently completed regarding the introduction of a new Retained Support Officer (RSO) role. The group had identified key areas upon which the role could focus that would reduce the modern day-to-day challenges associated with running an effective and sustainable RDS Unit thereby improving: recruitment, retention, appliance availability, training, gathering of operational risk information, liaison with administrative support and staff engagement. The outcome was the introduction of 7 x RSOs posts into the Service.

Members welcomed the initiative which would provide extra support and help to improve recruitment. The Assistant Chief Fire Officer confirmed that the RSO post allocation (as set out in the table on page 146 of the pack) was based on risk and the optimum crewing regime for each area.

RESOLVED: - That the Authority note the report.

74/16 TECHNICAL RESCUE (MULTI-FUNCTION) JACKETS

The Deputy Chief Fire Officer presented the report which included the background to the development of new fibres and fabrics that provided enhanced personal protection in line with European firefighter personal protection equipment standards.

Over the past two years the Service had been researching and evaluating a range of options for improving operational efficiency and enhanced firefighter health and safety as part of its future fighting strategy. The concept of Technical Rescue Jackets was to provide firefighters with an alternative level of PPE (Personal Protective Equipment) which would provide an increased level of personal safety and improve the performance of firefighters in the varied tasks undertaken during modern operational activities.

The concept of the Technical Rescue (Multi-Function) Jacket had been around for some time. Greater Manchester Fire and Rescue Service had purchased a layered approach version approximately 18 Months ago however, this had proved problematic with wearers (particularly when utilising the garment for structural Firefighting) suffering from retained heat issues due to the extra layers. They had also had issues with the Multi-Function inner layer (Orange) jacket due to the textiles used in manufacture. Therefore LFRS, Cumbria FRS and Cheshire FRS had looked at an alternative approach of having separate Multi-function and structural Jackets. An example of a Technical Rescue (multi-function) Jacket was demonstrated.

Advantages
The Technical Rescue (Multi-function) jackets were also less bulky and therefore provide greater comfort and dexterity for rescue type incidents, providing greater freedom of movement due to the garment's ergonomic performance and reducing the effects of heat stress during warm weather and whilst worn under strenuous working conditions, such as at road traffic collisions when operating heavy rescue cutting equipment. The specification written for the jackets was for them to meet the relevant Hi-Viz standard; this enabled the jackets to be worn on Highways without the need for the current conspicuity coats which were issued to each appliance. The current conspicuity coats were issued per appliance and not per individual so there were current fit issues and maintaining the Hi-Viz standard, because when the coats got to a certain degree of discolouration they no longer met the standard. The Jackets would be issued on the pool system so this would be part of the cleaning and maintenance contract ensuring LFRS met obligations under the Health and Safety At Work Act and that LFRS staff were safe when operating on the roads.

The lighter-weight garment offered heat protection making it suitable for Moorland firefighting. Moorland Firefighting had historically caused issues for Firefighters becoming too hot wearing structural PPE. This was due to a number of factors, being the weather (usually warm weather related fires), the terrain to get the fire (generally involved a long trek over undulating ground) and the physical exertion of the Firefighting and close proximity to the fire involved with certain extinguishment techniques. This had led to Firefighters removing their structural tunics to prevent themselves overheating. However this practice then caused a serious health and safety issue, due to Moorland fires having the potential to spread faster than a person could run, thus putting Firefighters in a dangerous position of not having the correct personal protection. The Lighter Jacket would enable Firefighters to undertake the Moorland Firefighting duties much more safely with full personal protection.

The above would also have a knock on effect of staff being able to undertake Moorland firefighting duties not only safely with full PPE, but would also be able to undertake these duties for longer periods without the need to be relieved by alternative staff due to heat stress. Therefore less staff would be required to be deployed to these incidents, reducing mobilising costs and also enabling efficient emergency response cover to be maintained for other incidents.

<u>Feedback from wearer trials</u>
Trials of the jackets had taken place at Fulwood, Cumbria FRS and Cheshire FRS and feedback had been very positive with crews particularly liking the freedom of movement and the reduced thermal stress afforded by a lighter jacket.

The only observation from the wearers during the trial was that due to the jacket not having a liner, during colder weather this could be an issue. This was alleviated by LFRS, Cumbria FRS and Cheshire FRS as all 3 services already issued a personal fleece jacket for staff to wear during cold weather which could be worn underneath the jacket. During the recent cold spell the crews taking part in the trial in LFRS attended a road traffic collision on the M6 with the temperature at minus 3 degrees. They stated that with the fleece underneath they were warm enough during the incident.

The technical rescue (multifunction) jacket has been trialled at Fulwood for over 6 months and during this time has been utilised for a number of incidents and has stood up extremely well to the challenge, the garments have only been laundered a few times and have retained their condition and as well as still meeting the relevant Hi Viz standard they still look aesthetically pleasing.

<u>Collaboration</u>
The wearer trials have been conducted in 3 different Services in the North West with close contact being maintained between the three. All 3 Services are keen to move forward with the project and LFRS had been chosen as the lead organisation for a tender process. LFRS had written a specification for a jacket which would enable the jacket to be worn for most incidents apart from structural firefighting where the full protection of the current jacket would be required by firefighters.

The specification written improved on the current offerings of the manufacturers to offer greater heat protection for staff and also protection against blood borne pathogens for technical rescue work. This would improve the safety for the firefighters and would enable the technical rescue (Multi-Function) jacket to be the primary worn garment for non-structural incidents.

In response to a question from CC O'Toole, the Deputy Chief Fire Officer confirmed that the introduction of the Technical Rescue (Multi-Function) Jackets could be offered for consideration to the North West Fire Advisory Forum.

RESOLVED: - That the Authority note the contents of the report and support the introduction of the Technical Rescue (Multi-Function) Jackets to enhance the current PPE provision and safety of staff.

75/16 TREASURY MANAGEMENT STRATEGY 2017/18

The report set out the Treasury Management Strategy for 2017/18, 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 three 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 2017/18

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 2017/18
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, the level of the approved Capital Programme which generated the borrowing requirement; the current structure of the Authority's debt portfolio and prospects for interest rates and market liquidity.

Economic Context
The major external influence on the Authority's treasury management strategy for 2017/18 would be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, had since been weighed down by uncertainty over whether leaving the Union also meant leaving the single market. In January The Prime Minister made a speech indicating that Brexit meant an exit from the Single Market and the Customs Union however the government would seek a trade deal with the EU for the greatest possible access with full reciprocity. Negotiations were expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects would therefore remain throughout 2017/18.

Interest Rate Forecasts
The prevailing and forecast interest rate situation would be monitored 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. At this stage they did not see any increase in the base rate before December 2019. The latest forecast was considered by Members.

Current Treasury Portfolio Position
At 31 December 2016 the debt outstanding was £5.514m with investments of £42.205m. 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. There was a net investment figure of £36.7m.

Borrowing Requirement and Strategy
CIPFA's Prudential Code for Capital Finance in Local Authorities permitted authorities to borrow for capital purposes. Although the Authority did not have plans for new borrowing it did currently hold £5.514m of loans as part of its strategy for funding previous years' capital programmes.

The Authority's underlying need to borrow for capital purposes was measured by the Capital Financing Requirement (CFR). 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 the current level of loans outstanding exceeded the

CFR, with the surplus cash forming part of the investment portfolio. This could be expressed as a negative borrowing requirement in year with the cash being available for an early repayment if it was seen advantageous.

Borrowing Strategy

Although it was unlikely that borrowing would be required in 2017/18 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 did not need to borrow for new capital expenditure it did have £5m of existing debt as a result of prior years' capital investment. As part of the Strategy adopted in 2014/15 additional MRP payments had been made which would enable loans to be repaid on maturity without the need to replace them or if advantageous to repay loans early.

As part of the Treasury Management function the Director of Corporate Services, in combination with the County Council's treasury management team, reviewed the policy put in place in 2014/15 and the opportunities to repay debt early.

A reworking of the debt restructuring exercise in February 2017 indicated 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. Once this was taken into consideration then it was estimated that the repayment of the loans would cost rather than save the Authority money. Whilst there was no guarantee of future interest rates on investments and hence the extent of lost investment income it was recommended that debt restructuring was not undertaken at the current time. The situation would be reviewed again as part of the mid-year update.

Investment Strategy

At 31 December 2016 the Authority held £32.2m 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 £41.2m and £22.8m. 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.

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 0.25%. 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 two long term loans had been placed with UK local authorities as outlined in the report.

The overall combined amount of interest earned on Fixed/Call balances as at 31st December 2016 was £0.285m on an average balance of £42.632m at an annualised rate of 0.74%. This compared favourably with the benchmark 7 day LIBID which averaged 0.24% over the same period, and was 0.49% 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 was 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”.

Any investment not meeting the definition of a specified investment was classed as non-specified. 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.

<u>Minimum Revenue Provision (MRP)</u>
The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and would assess their MRP for 2017/18 in accordance with the main recommendations contained within the 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. It was currently estimated that this had a nil value for capital expenditure financed by borrowing.

In addition the Authority had previously agreed additional voluntary MRP contributions in order to reduce current and future borrowing requirements and to provide scope to pay off debt as it matured. This was still considered a prudent approach.

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. To the extent that expenditure was not on the creation of an asset and was of a type that was subject to estimated life periods that were referred to in the guidance, these periods would generally be adopted by the Authority. However, the Authority reserved the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Authority were not capable of being related to an individual asset, asset lives would be assessed on a basis which most reasonably reflected the anticipated period of benefit that arose from the expenditure. Also, whatever type of expenditure was involved, it would be grouped together in a manner which reflected the nature of the main component of expenditure and would only be divided up in cases where there were two or more major components with substantially different useful economic lives.

Assets held under a 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.

<u>Prudential Indicators for 2016/17 to 2019/20 in respect of the Combined Fire Authority's Treasury Management Activities</u>

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 regulate and control its treasury management activities.

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

i) Approve the revised Treasury Management Strategy, including the Prudential Indicators, as set out in the report now presented.
ii) Agree the Minimum Revenue Provision calculation as set out in the report now presented.
iii) Agree the Treasury Management Policy Statement as presented.

76/16 RESERVES AND BALANCES POLICY

The Fire Authority held reserves to meet potential future expenditure requirements. The reserves policy was based on guidance issued by CIPFA. It explained the difference between general reserves (those held to meet unforeseen circumstances) and earmarked reserves (those held for a specific purpose). 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.

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, 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 etc.

The Treasurer considered it prudent to reduce the minimum target reserves level to £2.8m, 5.0% of the 2017/18 net revenue budget, a reduction on previous years due to indicative four year settlements but still maintained at a reasonable level to reflect on-going economic uncertainty and the underlying risks within the 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 may 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 based on professional judgement, the Treasurer felt that the maximum level should be maintained at £10.0m.

Should this be exceeded the following financial year's budget would contain options for applying the excess balance in the medium term, i.e. over 3-5 years.

Current level of General Reserves

The overall level of the general fund balance, i.e. uncommitted reserves, anticipated at the 31 March 2017 was £10.2m. The draft capital programme allowed for a further transfer of £2.6m from general reserve to the capital programme in 2017/18, leaving a forecast balance of £7.6m, providing scope to utilise approx. £4.8m of reserves.

Based on current assumptions, and dependent upon council tax decisions, further drawdowns of between £0.7m and £4.1m might be required to balance the revenue budget over the next 3 years, i.e. the remainder of the multi-year settlement. This would reduce our overall general reserve level to between £6.9m and £3.5m, still within our target range.

Thereafter the position was less clear as multi-year settlements ended and the budget forecasts become less accurate as there were a whole host of assumptions underpinning these projections, particularly around vacancy profiles, pension costs, future inflation and pay awards.

Assuming general reserves were used to balance the overall position each year this would deliver a sustainable position throughout the period based on a 2% increase in council tax each year, whereas reserves would run out in 2020/21 if council tax was frozen each year.

Earmarked Reserves

The Authority held £9.5m of earmarked reserves at 31 March 2016. The forecast of the anticipated position as at 31 March 2022 was detailed in the report. It was noted that of the anticipated balance of £5.3m, £3.1m related to the Private Finance Initiative reserve with a further £1.4m relating to the insurance reserve.

Capital Reserves and Receipts

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.

The Authority currently held £1.5m of capital receipts all of which pre-dated the new regulation and hence could not be used in this way. Furthermore the Authority only had one surplus capital asset, a small piece of land in South Ribble, on which it was currently reviewing disposal options; however it was not anticipated that this would generate significant capital receipts. Hence for the purpose of planning we had not assumed any capital receipts would be used to meet qualifying revenue expenditure.

At 31 March 2016 the Authority held £11.8m of capital reserves and receipts. We anticipated utilising £2.5m of this in 2016/17; however we also anticipated transferring a further £4.3m into this from the restructuring reserve and from the in-year underspend. As such we anticipated a year-end balance of £13.6m. Based on the capital programme presented elsewhere on the agenda we anticipated utilising a further £10.6m by 31 March 2022, leaving a balance of £3.0m to fund future capital programmes.

Provisions

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

Insurance Provision
This covered potential liabilities associated with outstanding insurance claims. The precise costs of these were uncertain but which were not reimbursable from insurers as they fell below individual excess clauses and the annual self-insured limits. This provision fully covered all estimated costs associated with outstanding claims. Until such time as the year-end position was known it was not possible to estimate, with any accuracy, the likely changes to this provision. As such this was not available to meet other budget pressures. At 31 March 2016 this provision stood at £1.2m to cover anticipated costs of outstanding insurance claims.

Retained Fire-fighters' Provision
This covered potential liabilities associated with Retained Fire-fighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms and eligibility to be part of the Fire-fighters' Pension Scheme, which was subject to negotiation at a national level. As such this was not available to meet other budget pressures. At 31 March 2016 this provision stood at £0.1m.

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 2016 this provision stood at £0.7m to cover anticipated costs of outstanding business rates appeals.

Summary Reserve Position

The anticipated position in terms of reserves and balances showed the overall level reducing to approximately £11m by 31 March 2022. For the purposes of forecasting we had allowed for a council tax freeze in 2017/18 and 2% increases thereafter and had assumed that all funding gaps were met from utilisation of general reserves which showed that at the end of the current multi-year settlement period (31 March 2020) the Authority was in a healthy position. The reduction in the level of reserves became more of a concern thereafter but this position would be subject to significant change as funding, inflation, pay awards and other pressures all became clearer in future years.

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

77/16 CAPITAL BUDGET 2017/18 - 2021/22

A report was presented to the meeting in December requesting Members to give initial consideration to the Capital Programme for 2017/18-2021/22. The report highlighted anticipated spending of £23.1m compared with available funding of £26.1m, a funding surplus of £3.0m. There were no changes to the draft programme as presented in December, as a result the overall capital programme remained:-

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Vehicles	1.659	1.806	2.814	0.962	1.070	**8.311**
Operational Equipment	0.420	0.350	1.550	0.250	0.435	**3.005**
Buildings	4.750	4.000	-	-	-	**8.750**
IT Equipment	1.350	0.545	0.720	0.210	0.200	**3.025**
Total	**8.179**	**6.701**	**5.084**	**1.422**	**1.705**	**23.091**

Although there were no changes to the draft programme it was noted that there was a possibility that the £0.8m budget in 2017/18 in relation to the Emergency Services Mobile Communications Programme (ESMCP) may slip into 2018/19 should the national programme milestones be moved further backwards. It was also noted that there was £0.2m capital budget allocated in 2016/17 for ESMCP which would be in a similar position.

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.

A further report would be presented to the Resources Committee in June, confirming the final year end capital outturn for 2016/17 and the impact of slippage from this on the programme.

Available Resources
The draft capital budget report identified total available funding of £26.1m 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 had been made for this.

As referred to in the December capital budget report it was proposed to utilise £2.6m of general reserves to fund the 5 year programme, resulting in the Authority still holding £3.0m of capital receipts and reserves at the end of the period, and therefore being in a stronger position to meet recurring capital requirements.

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

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Grant	0.800	-	-	-	-	**0.800**
Capital Receipts	-	-	-	-	-	**-**
Capital Reserves	2.730	4.951	3.334	(0.328)	(0.045)	**10.642**
Revenue Contributions	2.000	1.750	1.750	1.750	1.750	**9.000**
Earmarked Reserves	0.049	-	-	-	-	**0.049**
General Reserves	2.600	-	-	-	-	**2.600**
	8.179	**6.701**	**5.084**	**1.422**	**1.705**	**23.091**

Summary Position

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

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Requirements	8.179	6.701	5.084	1.422	1.705	**23.091**
Capital Funding	8.179	6.701	5.084	1.422	1.705	**23.091**
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 £3.0m which could be used to supplement the revenue contributions in future years, thus providing a sustainable capital position in the medium to long 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 Prudential Indicators included projected slippage of £4.3m from the 2016/17 capital programme. These indicators would be updated to reflect the final capital outturn position which would be reported to the Resources Committee at its meeting in June.

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 2017/18 was £26.55 per Band D property (40% 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 2017/18 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 £8.1m over the 3-year period after allowing for anticipated slippage from 2016/17. 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 approve the Capital Budget together with the Prudential Indicators as presented.

78/16 REVENUE BUDGET 2017/18 - 2021/22

At its last meeting in December 2016 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 20th February 2017.

Budget Requirement
A draft budget of £53.9m was presented to the December 2016 meeting. Further work had been ongoing to refine budget requirements resulting in an updated gross revenue budget requirement for 2017/18 of £54.3m. This represented an increase due to refining staffing forecasts and that delays with the Emergency Services Mobile Communication Programme project pushed back associated savings to September 2018.

The updated budget requirement of £54.3m still represented a reduction of 2.3% and allowed for the identification of £1.5m of efficiency savings.

Government Funding Settlement
The Government had confirmed that the multi-year settlement offers had been agreed with all single purpose fire and rescue authorities. Hence, barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expected these amounts to be presented to Parliament each year.

The Director of Corporate Services advised that the final Local Government Finance Settlement had not yet been received as it would not be debated in Parliament until 20 February at the earliest; hence it had been assumed that the final settlement would be consistent with the draft figures reported in December, i.e. £25.3m.

In recent years the final settlement had been published later and later in February each year with this the first meeting that the Authority had not had this information. The Director of Corporate Services did not anticipate that when published the figures would be different from the draft, given there had been only marginal changes in the past. If the figures were marginally different however, this would be met from the drawdown of reserves or an additional savings target.

As highlighted in the draft budget report, the Autumn Statement reaffirmed that Departmental spending would grow with inflation in 2021/22. However there would be significant variation between departments due to how the overall funding was distributed, and the level of protection afforded to some Departments, hence id had been assumed that funding would be frozen in 2021/22 and beyond.

Included within the Settlement Funding Assessment was an estimated amount in respect of locally retained Business Rates. Billing Authorities had now provided details of this, which showed a marginal reduction of £46k compared with the Government's forecast. Overall the settlement at £25.3m is in line with the draft budget.

Business Rate Adjustments

Business Rates were adjusted to reflect Section 31 grant received to offset lost local revenue arising from the Government's decision to cap the business rates multiplier in previous years. The Government had not formally announced that this would not continue in 2017/18, nor had any indication been given that it would cease, and hence for the purpose of planning it had been assumed that this would be paid, in line with previous years, and a sum of £149k had therefore been included in respect of this. The Government also provided further Section 31 grant to offset lost local revenue arising from various other decisions which had limited business rates, such as the doubling of small business rate relief, extensions to timeframes for some exemptions etc. This figure had been confirmed by billing authorities at £338k. In addition, any surplus or deficit on the business rates collection fund was distributed to relevant bodies, and the Authority's share of this stood at a deficit of £177k.

Council Tax 2017/18

Billing authorities had now provided final council tax base figures and the council tax collection fund figures. The tax base had increased by 1.7%, compared with the draft budget which was based on a 1% increase. The collection fund surplus stood at £0.5m compared with the draft budget figure of £0.3m. Future planning assumptions had been updated to reflect this.

As previously advised the Government had not provided any additional grant to support those authorities who froze council tax in 2017/18. However it had maintained the council tax referendum limit at 2% for Fire Authorities. Based on the assumptions outlined the budget requirement resulted in a council tax of £66.46, an increase of 1.5% or £0.96, less than 2p per week.

As in previous years further council tax scenarios had been modelled, for a 1% increase and a freeze. If the Authority increased council tax by 1% it would require a budget reduction of £0.1m. A freeze would require a budget reduction of £0.4m. In order to achieve these reductions the Authority could either identify further savings in-year, utilise the Local Government Pension Scheme surplus, as referred to at the December Authority meeting, or utilise reserves.

It was noted that the draft budget resulted in a 1.5% increase in council tax, which equated to £0.96 per annum and generated approximately £0.4m of additional precept, where as a 1% increase equated to £0.66 per annum, £0.01 per week, and generated approximately £0.3m of additional precept.

As reported in the draft budget our 2016/17 council tax of £65.50 was still below the national average of £71.50, and was the eighth lowest of any Fire Authority, and our council tax increases of 2.9% over the last 5 years had been significantly lower than the sector average of 8.6%.

Further Savings Opportunities

As reported previously the Authority has been extremely successful at delivering efficiency savings, delivering £18m since April 2011. 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.

The only significant savings opportunity on the horizon appeared to be the Emergency Cover Review (ECR) scheduled for next year, but again previous ECRs had delivered significant savings and the scope to identify further reductions was extremely limited.

As such it may be possible to deliver in year savings in 2017/18 by delaying expenditure and targeting an in-year underspend in order to deliver a balanced budget, but the scope to utilise this to balance future budgets appeared limited.

Local Government Pensions Scheme (LGPS) Surplus

As reported at the last Authority meeting the Authority's LGPS fund currently had a surplus of £4.3m, due to improved investment returns, changing assumptions and additional payments made to offset previous deficits.

The report identified the following options:-

- leave the surplus in situ, to offset any future changes;
- drawdown all of the surplus over the 16 year recovery period, £0.3m per annum (this would still leave approx. £3.3m as a surplus at the next valuation, all other things being equal);
- drawdown all of the surplus to offset all of the future service pension contributions, £0.6m per annum, broadly speaking the surplus would be fully utilised in 7 years (this would still leave approx. £2.3m as a surplus at the next valuation, all other things being equal, but we would need scheme approval to do so);
- drawdown part of the surplus over the 16 year recovery period, one option being to draw down a sum equal to the increase in future service contribution,

i.e. £0.1m (this would still leave approx. £4.0m as a surplus at the next valuation, all other things being equal).

Any decision to utilise the surplus must be taken recognising the need to maintain a sustainable LGPS funding position and recognising the volatility of the funding valuations (as previously highlighted the funding deficit on the LGPS had historically grown each year due primarily to mortality rates). It should also be recognised that drawing down any of this to offset recurring revenue expenditure would create further financial pressures in future years once the surplus was utilised.

Reserves and Balances

As set out in the Reserves and Balances Policy reported elsewhere on this agenda, the Treasurer had identified the following target levels for general reserves:-

- minimum target reserves level reducing to £2.8m, 5.0% of the 2017/18 net revenue budget, a reduction on previous years due to indicative four year settlements but still maintained at a reasonable level to reflect on-going economic uncertainty and the underlying risks within the budget;
- the maximum reserve limit be maintained at £10.0m.

The overall level of the general fund balance, i.e. uncommitted reserves, anticipated at the 31 March 2017 was £10.2m. The draft capital programme allowed for a further transfer of £2.6m from general reserve to the capital programme in 2017/18, leaving a forecast balance of £7.6m, providing scope to utilise approx. £4.8m of reserves.

As such reserves could be used to deliver a balanced budget in 2017/18. Therefore having reviewed the level of general reserves required and the anticipated utilisation of these, the Treasurer considered these are at an appropriate level to meet future expenditure requirements in 2017/18. The level of these would be reviewed again as part of the year end outturn process and reported on to the Resources Committee.

Council Tax 2018/19 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 for three years. Funding beyond this period was unknown, but was assumed to be frozen at £24.0m.

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 2% 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.

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

- A council tax increase of 1.5% in 2017/18, with a 2% increase thereafter
- A council tax increase of 1.0% in 2017/18, with a 2% increase thereafter
- A council tax freeze in 2017/18, with a 2% increase thereafter

- A 1% increase in council tax each year, including 2017/18
- A council tax freeze each year, including 2017/18

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

	2018/19	2019/20	2020/21	2021/22
A council tax increase of 1.5% in 2017/18 with a 2% increase thereafter	(£0.3m)	(£0.8m)	(£1.4m)	(£2.3m)
A council tax increase of 1.0% in 2017/18 with a 2% increase thereafter	(£0.5m)	(£0.9m)	(£1.5m)	(£2.4m)
A council tax freeze in 2017/18 with a 2% increase thereafter	(£0.8m)	(£1.2m)	(£1.8m)	(£2.7m)
A 1% increase in council tax each year	(£0.8m)	(£1.5m)	(£2.4m)	(£3.6m)
A council tax freeze each year	(£1.3m)	(£2.4m)	(£3.6m)	(£5.2m)

It was stressed that there were a whole host of assumptions underpinning these projections, particularly around vacancy profiles, pension costs, future inflation, pay awards and funding beyond March 2020.

Assuming general reserves were used to balance the overall position each year this would deliver a sustainable position throughout the period based on a 2% increase in council tax each year, whereas reserves would run out in 2020/21 if council tax was frozen each year.

Reserves would only be a short term solution, as eventually they would be fully utilised and the Authority left with a recurring funding gap. As such at some point the Authority would be required to make recurring savings to offset this gap, and scope to do so was limited.

<u>Summary Council Tax options 2017/18</u>
In considering its council tax requirements for 2017/18 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 and based on the scenarios outlined the three council tax options for 2017/18 were:-

- Increase council tax by 1.47%, which resulted in a council tax of £66.46 for a band D property. From a financial perspective this was the most sustainable option as it maximised the level of precept in each year, and did not require any further savings to be delivered in 2017/18. However, it had the biggest impact on the local council tax payer, albeit this still equated to an increase of just £0.96 per annum;

- Increase council tax by 1.00%, which resulted in a council tax of £66.16 for a band D property. Under this option the budget needed to be reduced by £129k, which could be met by including an additional savings target into the budget to offset this. From a financial perspective this was less sustainable as under this option the Authority generates £0.1m less precept each year, and it needed to find additional savings. However it did offset some of the increase in council tax, limiting this to just £0.66 per annum, thereby reducing the impact on the local council tax payer;
- Freeze council tax at £65.50 for a band D property. Under this option the budget needed to be reduced by £409k, which could be met from an additional savings target of £96k plus the drawdown £313k of the LGPS pension surplus, spread over the agreed recovery period of 16 years. This option removed any impact on the local council tax payer, however it was the least sustainable from a financial perspective as under this option the Authority foregoes any increase in precept, and still needed to identify budget reductions. Furthermore utilising the LGPS surplus to offset recurring revenue expenditure would create further financial pressures in future years once the surplus was utilised, or if the LGPS funding position changed significantly at a future valuation.

The Treasurer believed all three options delivered a robust balanced budget whilst maintaining an adequate level of reserves in the medium term.

Detailed resolutions relating to each of the options were considered by Members together with analyses of budget by service area and type of expenditure together with the budget consultation response received.

The option which assumed a council tax freeze and resulted in maintaining council tax at £65.50 for a Band D property was MOVED by County Councillor F De Molfetta and SECONDED by County Councillor M Parkinson. This was unanimously approved.

To meet the reduced budget requirement of £409k associated with this the Authority also unanimously approved the drawdown of £313k from the LGPS pension surplus with the remaining £96k being met from an additional savings target.

RESOLVED: - 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 budget requirement of £53.933m for 2017/18
4. note the assumed section 31 grant of £0.487m due in respect of business rate adjustments
5. note the assumed level of Revenue Support Grant £10.659m
6. note the assumed level of Business Rates Retention Top Up Funding £10.477m
7. note the assumed level of Local Business Rates Retention Funding £4.121m
8. note that any changes identified in the final local government settlement will be met by reducing the budget requirement, by either identifying additional savings or by drawing down reserves
9. note the business rate tax collection fund deficit of £0.177m
10. note the council tax collection fund surplus of £0.526m

11. agree the council tax requirement, calculated in accordance with Section 42A(4) of the Localism Act of £27.839m
12. note the council tax base of 425,026 determined for the purposes of Section 42B of the Local Government Finance Act 1992
13. agree a council tax band D equivalent of £65.50, a freeze, 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	£43.67
Band B	£50.94
Band C	£58.22
Band D	£65.50
Band E	£80.06
Band F	£94.61
Band G	£109.17
Band H	£131.00

14. agree, based on each district and unitary councils share of the total band D equivalent tax base of 425,026, the share of the total LCFA precept of £27.839m levied on each council as follows:

Blackburn With Darwen Borough Council	£2,221,199
Blackpool Borough Council	£2,335,861
Burnley Borough Council	£1,478,925
Chorley Borough Council	£2,353,653
Fylde Borough Council	£1,918,102
Hyndburn Borough Council	£1,322,904
Lancaster City Council	£2,639,650
Pendle Borough Council	£1,529,314
Preston City Council	£2,349,420
Ribble Valley Borough Council	£1,472,506
Rossendale Borough Council	£1,309,869
South Ribble Borough Council	£2,311,338
West Lancashire District Council	£2,252,558
Wyre Borough Council	£2,343,902
TOTAL	£27,839,201

15. Approve the drawdown of £313k from the LGPS pension surplus.

79/16 MEMBER CHAMPION ACTIVITY - QUARTERLY REPORT

In December 2007, the Authority introduced the 'Champion' role and allocated a notional budget per member in respect of four subject areas. These positions were currently filled by:

- Equality and Diversity – Councillor Terry Aldridge
- Older People – County Councillor Mark Perks

- Environment – County Councillor Ken Brown
- Road Safety – Councillor Fred Jackson

Reports relating to the activity of the Member Champions were provided on a quarterly basis to the Authority. This report related to activity for the period up to January 2017. During this period, all have undertaken their respective role in accordance with the defined terms of reference.

County Councillor Taylor wished to praise Preesall Fire Cadets who had received their Dementia Friends badges and certificates and who were a credit to the Service.

RESOLVED: - That the Authority noted the report and acknowledged the work of the respective Champions.

80/16 FIRE PROTECTION REPORTS

A report detailing prosecutions in respect of fire safety management failures and arson related incidents within the period 1 December 2016 to 1 February 2017 was provided. There were 2 successfully completed prosecution under the regulatory reform (fire safety) order 2005, one of which is subject to an appeal.

Fire protection and business support information was provided which included details of the increased numbers of Primary Authority Schemes that now included Amber Taverns Ltd (who have 120 Public Houses across the North West, North East, Midlands and Wales) and EH Booths & Co Ltd (who have 28 stores across the North West). The report also detailed the partnership work undertaken by LFRS Business Safety Advisors during the period and detailed protection work undertaken to provide advice to businesses.

Members noted that there were 4 arson convictions during the period.

RESOLVED: - That the Authority noted the report.

81/16 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.

As part of the report Members received a presentation by Simon Fryer, Area Manager, Head of Service Delivery on the Service's response to a major fire at First Choice Car Spares in Altham on 7 December 2016. It was noted that this was a significant fire which at its height involved 16 fire engines, a command unit, a high velocity pump, a hazardous materials unit and the air support unit.

The Vice-Chairman, in his capacity as both a County Councillor and Ward Councillor for the area expressed his gratitude to all the staff and agencies involved.

In relation to the Wyre report, County Councillor Taylor praised the teams involved in the commercial building fire incident. She also praised the Retained Duty Staff who had held dementia buddy coffee mornings in the area and who were now liaising with the local school where she was Chair of Governors to run another event.

RESOLVED:- That the Authority noted and endorsed the report.

82/16 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.

83/16 DATE OF NEXT MEETING

The next meeting of the Authority would be held on Monday 24 April 2017 at 10:00am at the Training Centre, Euxton.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood