LANCASHIRE COMBINED FIRE AUTHORITY

Monday, 18 February 2019 at 10.00 am in Washington Hall, Service Training Centre, Euxton

MINUTES

PRESENT:

F De Molfetta (Chairman)

Councillors

L Beavers	M Khan
S Blackburn	Z Khan
P Britcliffe	D O'Toole
I Brown	E Oades
S Clarke	M Parkinson (Vice-Chair)
J Eaton	M Perks
N Hennessy	J Shedwick
S Holgate	D Smith
D Howarth	D Stansfield
F Jackson	M Tomlinson
A Kay	G Wilkins

63/18 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Tony Martin and Councillor Tony Williams.

64/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

65/18 MINUTES OF PREVIOUS MEETING

RESOLVED: - That the Minutes of the CFA held on 17 December 2018 be confirmed and signed by the Chairman.

66/18 MINUTES OF MEETING MONDAY, 5 NOVEMBER 2018 OF STRATEGY GROUP

RESOLVED: - That the proceedings of the Strategy Group held on 5 November 2018 be noted and endorsed.

67/18 MINUTES OF MEETING THURSDAY, 29 NOVEMBER 2018 OF PERFORMANCE COMMITTEE

RESOLVED: - That the proceedings of the Performance Committee held on 29 November 2018 be noted and endorsed.

68/18 MINUTES OF MEETING MONDAY, 26 NOVEMBER 2018 OF PLANNING COMMITTEE

RESOLVED: - That the proceedings of the Planning Committee held on 26 November 2018 be noted and endorsed.

69/18 MINUTES OF MEETING TUESDAY, 29 JANUARY 2019 OF AUDIT COMMITTEE

RESOLVED: - That the proceedings of the Audit Committee held on 29 January 2019 be noted and endorsed.

70/18 COLLABORATION

The Chief Fire Officer advised that the Chairman and Vice-Chairman had met with the Police and Crime Commissioner (PCC) on 22 January 2019 where they received assurance of his intention not to proceed with any changes to the fire governance arrangements at this time. During the meeting the potential for further collaboration was discussed which required further consideration and included: i) the delivery of Police Public Order Training from Service Training Centre – this work had in part already been initiated which had been observed by Home Office officials at a visit the previous week; ii) the potential for the relocation of Service Headquarters to Hutton and iii) the formation of a small Board of 8 with 4 representatives from the Police (2 from the Police and Crime Commissioners Office and 2 from the Constabulary) and 4 from Fire (2 Members and 2 Officers). However, as the Combined Fire Authority (CFA) was the decision-making body, the Chairman was in discussions with the Chief Fire Officer and the Clerk on how this might be constituted.

The Authority remained committed to deliver the best outcomes for the public in Lancashire and the Service continued to work collaboratively with the Police.

The Chairman stated his gratitude to all Members of the CFA for their support in maintaining current governance arrangements. He confirmed that he would be thanking all Members of Lancashire County Council (LCC) on behalf of the Authority at the next Full Council meeting and he had already written to MPs and Lancashire Leaders.

County Councillor O'Toole acknowledged the cross-party support received from Members of the CFA and LCC colleagues and commended the Chairman for his determination in opposition of the proposal.

RESOLVED: - That the report be noted and endorsed.

71/18 PAY POLICY STATEMENT FOR 2019/2020

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 2019/20 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 2019/20 would be bound by and must comply with the 2019/20 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'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 is 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 has 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 originally agreed to last for 5 years and when reviewed in 2018, it was determined to continue the current arrangement; until it was determined a different mechanism was necessary.

Any pay rise would be subject to a satisfactory performance evaluation. This would be undertaken with the Chair 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. We were 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 2018/2019 were: i) 2% for staff covered by the "grey book" (wef 1 July 2018) as an interim payment; ii) the first year of a two year settlement (2% wef 1 April 2018) for 'green' book posts; and iii) 2% for Principal Officers (wef 1 July 2018), in accordance with the agreed linkage to "grey book" staff and satisfactory performance. The Principal Officers had advised the Chairman that they would voluntarily forfeit any increase above 2%. The next anniversary dates for "grey book" and Principal Officers pay was anticipated to be 1 July 2019, whilst the green book pay-award effective date would be April 2019.

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 alternatively a provided car was available or an essential users scheme was in operation.

Chief Officers
It was noted that delegated powers for the payment of honoraria lay with the Chief Fire Officer. Changes to chief officer salaries were approved by the Fire Authority. Chief Officers were conditioned to the Gold Book terms and conditions of employment. A facility existed for the chief officers (either singularly or collectively) to present a case to the Authority (via the Chairman) for a salary increase based on evidence, the overall performance of Lancashire Fire & Rescue Service and an annual appraisal.

The relationship between the salaries of the Chief Fire Officer and the other chief officers had been as follows: Deputy Chief Fire Officer 85%, Assistant Chief Fire Officer 80%, Director of Corporate Services and Director of People and Development 64% however, due to changes in the minima and maxima of the Chief Fire Officer’s salary this linkage would be broken in this pay statement year.

Lancashire Fire Authority did not operate a bonus scheme or performance related pay for chief officers. Chief Officers may claim reimbursement for expenses incurred in the course of carrying out their duties.

Recruitment of New Officers
It was noted that the Chief Fire Officer had indicated his intention to retire on 30 April 2019. The Fire Authority had taken the opportunity to review the salary of the Chief Fire Officer and had determined a new salary range of £140,000 – £145,000 per annum. The remaining terms and conditions were unaltered. The same process would be undertaken in year in respect of any vacancies that arose within the senior officer grouping to determine whether the salary range should be adjusted prior to advert. It was not proposed to increase the maximum of the ranges.

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 is our Green Book Grade 1 posts (Cooks, Receptionists and

Gardener/handypersons) who were on a scale of £16,495 to £17,007pa. £16,495 equated to £8.55 per hour. The minimum a current employee was receiving was £16,495. The Chief Fire Officer's earnings ratio was 1: 10 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 was 1: 5.15.

The Chairman confirmed that as mentioned in the pay statement the Chief Fire Officer had given his notice of intention to retire with effect from 30 April 2019 leaving the immediate issue of appointing a successor. While the Service had a very stable and competent Executive Board, uncertainty could arise without a head of an organisation and we did not want our position within the fire sector (as evidenced through the inspection outcome) to be undermined or diminished by uncertainty. Therefore the appointment of a Chief Fire Officer before Mr Kenny's retirement was both desirable and urgent.

The Chairman advised that he had discussed the issue with both the Vice-Chairman and with the Leader of the Conservative Group and authorised the advertisement of the position having considered the question of remuneration as highlighted in the pay policy statement. The Chairman recommended that the appointment of a successor was remitted to a panel of 4 Members with an interview date of 4 March 2019. He confirmed that panel members were himself, County Councillors David O'Toole, Liz Oades and Nikki Hennessy. This would enable an appointment to be made before Mr Kenny left his post and should an internal appointment be made then filling the consequential vacancy could be commenced soon thereafter. It was noted that at the next Resources Committee a paper would be taken to review progress and the process to be adopted for any further vacancies.

RESOLVED: - That the Authority approved the Pay Policy Statement and agreed the approach for the recruitment of the Chief Fire Officer.

72/18 TREASURY MANAGEMENT POLICY AND STRATEGY 2019/20

The report set out the Treasury Management Policy and Strategy for 2019/20, which was in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised Code of Practice. The Strategy was based on the capital programme as presented to the Authority elsewhere on the agenda, and the financial implications were reflected in the revenue budget, also presented elsewhere on the agenda.

Statutory requirements

The Local Government Act 2003 (the Act) 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 Ministry of Housing, Communities and Local Government (MHCLG) Guidance.

Treasury Management Strategy for 2019/20

This Strategy Statement had been prepared in accordance with the CIPFA Treasury Management Code of Practice. 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 2019/20

In setting the treasury management strategy the following factors needed to be 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 UK's progress in negotiating its exit from the European Union (EU), together with its future trading arrangements, would continue to be a major influence on the economy in 2019/20. The latest (2018 Quarter 3) Gross Domestic Product (GDP) growth figures showed a year on year growth of 1.5%. It was anticipated that the growth would continue with the Bank of England, in its November Inflation Report, expecting GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU was relatively smooth.

The Bank of England remit included a 2% inflation (Consumer Price Index) target and it was slightly above this level at 2.1% in December 2018. The latest inflation report projected inflation to remain above the target for 2019/20, before reaching 2% at Q4 2021.

There were signs that there would be a slowing of world economic growth in 2019. There was a continued risk of a developing trade war between US and China while the German economy grew by 1.5 per cent in 2018, the weakest rate since 2013. The World Bank forecast global economic growth would slow to 2.9 per cent with falls in the US, China and the Eurozone.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy had been made since. However, the Bank expected that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate would be required to return inflation to the 2% target. The Monetary Policy Committee continued to reiterate that any further increases would be at a gradual pace and limited in extent.

Interest Rate Forecast and Prospects for Market Liquidity
Interest rate forecasts were made in the context of the overall economic position as outlined. The Bank of England last changed rates in August 2018 and it had maintained expectations for slow and steady rate rises however with the high level of uncertainty there was the possibility the next change in interest rates would be a reduction. The latest forecast provided by Treasury Consultants Arlingclose Ltd was detailed in the report.

Current Treasury Portfolio Position
At the 31 December 2018 the debt outstanding was £2.0m with investments of £38.1m. 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 £36.1m.

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 table detailed in the report compared the estimated CFR to the debt which currently existed which gave an indication of the minimum borrowing or investment required throughout the period. 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 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 3 years. However, the report showed that the level of loans was above the CFR at 31/3/18. This was the result of the Authority adopting 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. Rather than having a need for borrowing it was estimated 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 £2.0m 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 2019/20 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, 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
The Authority's debt had arisen as a result of prior years' capital investment decisions. It had not taken any new borrowing out since 2007 as it had been utilising cash balances to pay off debt as it matured, or when deemed appropriate with the Authority making early payment of debt. The anticipated holding of debt at 31 March 2019 was £2.0m. All the debt was from the Public Works Loans Board (PWLB) and was all at fixed rates of interest (4.5%), repayable on maturity. This debt was taken out in 2007 when base rate was 5.75% 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, we had again reviewed opportunities for debt repayment/restructuring.

The level of penalty applicable on early repayment of loans now stood at £0.9m. Outstanding interest payable between now and maturity was £1.6m which gave a gross saving of £0.7m.

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. It was estimated that if the interest rate on investments was at 1.25% over the remaining period of the loan then repaying the loans now would be broadly neutral.

If returns on investments over the next 20 years exceed 1.25% then it was financially disadvantageous to pay off the loans, if interest rate averaged less than 1.25% then it was financially advantageous. 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.

It was also noted that whilst the capital budget did not show any additional borrowing being required in the next 5 years, it did not include any allowance for relocating SHQ. This project was currently on hold and should the Authority decide to proceed with the relocation it would need to take out additional borrowing to meet the costs.

Investment Strategy

At 31st December 2018 the Authority held £38.1m 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 £28.5m and £48.3m. 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 shown.

The investment in LCC as part of the call account arrangement was excluded from the limits shown in the report as the balance on this 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, this was currently 0.75%. 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 longer term loans had been placed with a UK local authority as outlined in the report.

Consideration would be given to fixing further investments if the maturity fit with estimated cash flows and the rate was considered to be attractive.

The overall combined amount of interest earned on Fixed/Call balances as at 31st December 2018 was £0.3m on an average balance of £38.3m at an annualised rate of 0.90%. This compared favourably with the benchmark 7 day LIBID which averaged 0.48% over the same period, and is 0.15% 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”.

The Authority defined “high credit quality” organisations as those having a credit rating of A+ or higher that were domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

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.

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 for 2018/19 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. The

Authority may make a voluntary MRP depending upon the overall financial position and the Director of Corporate Services would have the authority to authorise a voluntary MRP.

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. 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.

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 2018/19 (revised) to 2021/22 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 coming 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:-
i) Approved the revised Treasury Management Strategy, including the Prudential Indicators, as set out in the report now presented;
ii) Agreed the Minimum Revenue Provision calculation as set out in the report as now presented; and
iii) Agreed the Treasury Management Policy Statement as now presented.

73/18 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.

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.

2019/20 was the final year of the current 4 year settlement. This meant that funding beyond 2019/20 was subject to the outcome of next year's Spending Review, as well as the outcome of the fair funding review of relative needs and resources and the Government intention to move to greater retention of Business Rates, as opposed to maintaining Revenue Support Grant. Furthermore the impact of Brexit on the national economy was still unknown. Therefore there was greater degree of uncertainty over long term funding than in recent years.

As such the Treasurer considered it prudent to increase the minimum target reserves level to £3.2m, 5.7% of the 2019/20 net revenue budget, reflecting the increasing level of uncertainty. This was broadly in line with the 5% threshold identified by the Home Office above which the Authority was required to justify why it held the level of reserves. Should reserves fall below this minimum level the following financial year's budget would contain options for increasing reserves back up to this level, which it was noted may take several years to achieve.

Whilst this exercise set a minimum level of reserves it did not consider what, if any, maximum level of reserves was appropriate. In order to do this the level of reserves held should be compared with the opportunity cost of holding these, which in simple terms meant that if you held reserves that were too high you were foregoing the opportunity to lower council tax or invest in further service improvements.

However, 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 financial 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 2019 was £8.0m, providing scope to utilise approx. £4.8m of reserves.

The proposed drawdown of £0.3m in 19/20 would reduce the general balance to £7.7m and the Treasurer considered these were at an appropriate level to meet future expenditure requirements in 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.

Future requirements were less clear as multi-year settlements would have ended and the budget forecasts became less accurate as there were a whole host of assumptions underpinning these projections, particularly around funding, vacancy profiles, pension costs, future inflation and pay awards and council tax increases. The report showed the point at which general reserves dipped below minimum requirements, and the point at which they were exhausted, based on various council tax options.

General reserves were sufficient to balance the budget next year. However they were only a short term solution, and based on the current assumptions included in the budget, even allowing for a 2% council tax increase each year, they would fall below our minimum level during 2023/24. Hence over the medium term the general reserve would potentially fall below the 5% threshold identified by the Home Office. 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 as highlighted earlier the scope to do so was limited.

Earmarked Reserves

Level of Earmarked Reserves
The earmarked reserves forecast at 31 March 2019 were £7.6m and a breakdown of these was considered by Members. It was noted that over half of the forecast anticipated balance of £6.2m as at 31 March 2024 related to the Private Finance Initiative reserve.

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

Capital Reserves and Receipts

Capital Reserves had been created from underspends on the revenue budget in order to provide additional funding to support the capital programme in future years.

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 £140k 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 2019 the Authority anticipated holding £18.2m of capital reserves and receipts. Based on the capital programme presented elsewhere on the agenda it was anticipated that a further £16.2m would be utilised by 31 March 2024, leaving a balance of £2.0m to fund future capital programmes.

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

It was noted that no allowance had been built in the capital programme for the potential relocation of SHQ. 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 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 fully covered all estimated costs associated with outstanding claims.

The provision stood at £0.5m at 31 March 2018. Given the uncertainty in terms of future insurance claims it had been assumed that the provision would be maintained at this level throughout the 5 year period. There were no existing legal obligations associated with this provision, as the legal obligation only arose when settlement of outstanding claims was agreed.

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 2018 this provision stood at £0.6m to cover anticipated costs of outstanding business rates appeals. Whilst a significant element of this would be utilised in the current financial year, reflecting the settlement of outstanding appeals, it was impossible to accurately predict the extent of this usage or the need for any additional provision to meet appeals that arose in year, until such time as a full review was undertaken as part of the financial year end process. Therefore for the purpose of this report it had been assumed that the level of business rates appeals provision remained unchanged. Until the outcome of any appeal was known there was no legal obligation arising from the appeal.

The Treasurer felt that the levels of provisions were 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 £12m by 31 March 2024.

Up to 31/3/2020, the end of the current multi-year settlement period, the Authority remained in a healthy position. The reduction in the level of reserves became more of a concern thereafter with 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 become clearer in future years. The annual refresh of this policy would identify the impact of any changes as they developed.

In response to a question raised by Councillor Blackburn, the Director of Corporate Services confirmed that the PWLB loan repayment penalty earmarked reserve of £0.9m was part of the investment held with Lancashire County Council's call account. The amount was notional as any penalties incurred would depend on the forecast interest rates and the time to maturity. In the Treasury Management policy report earlier on the agenda it had been estimated that if the interest rates on investments were at 1.25% over the remaining period of the loan, repaying the loan would be broadly neutral however, the Director of Corporate Services thought it would be higher than 1.25% which would then be more costly over the period.

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

74/18 CAPITAL STRATEGY AND BUDGET 2019/20 - 2023/24

A report was presented that set out the Capital Strategy and capital programme for 2019/20-2023/24, together with the funding of this.

Capital Strategy

The Authority's capital strategy was designed to ensure that the Authority's capital investment:

- assisted in delivering the corporate objectives;
- provided the framework for capital funding and expenditure decisions, ensured that capital investment was in line with priorities identified in asset management plans;

- ensured statutory requirements were met, i.e. Health and Safety issues;
- supported the Medium Term Financial Strategy by ensuring all capital investment decisions considered the future impact on revenue budgets;
- demonstrated value for money in ensuring the Authority's assets were enhanced/preserved;
- described the sources of capital funding available for the medium term and how these might be used to achieve a prudent and sustainable capital programme.

Proposed Capital Budget

Capital expenditure was expenditure on major assets such as new buildings, significant building modifications and major pieces of equipment/vehicles.

The Service had developed asset management plans which assisted in identifying the long-term capital requirements. These plans, together with the operational equipment register had been used to assist in identifying total requirements and the relevant priorities.

The 2019/20 & 2020/21 programmes included various items of slippage that had been removed from the 2018/19 programme.

A summary of all capital requirements was considered by Members:

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Vehicles	2.672	1.861	1.066	1.037	1.147	**7.783**
Operational Equipment	0.150	1.000	0.195	0.800	0.250	**2.395**
Buildings (timing)	6.145	6.190	0.930	0.200	-	**13.465**
IT Equipment	2.470	0.425	0.500	0.100	-	**3.495**
Total	**11.437**	**9.476**	**2.691**	**2.137**	**1.397**	**27.138**

Vehicles

The Fleet Asset Management plan had been used as a basis to identify the vehicle replacement programme as detailed in the report. It was noted that the pumping appliance budget included the majority of the stage payments for the 7 appliances slipped forwards from the 2018/19 programme, in addition to the full cost of the 3 to be purchased in 2019/20.

LFRS currently had several vehicles provided and maintained by CLG under New Dimensions (5 Prime Movers and 1 Incident Response Unit), which under LFRS replacement schedules would be due for replacement during the period of the programme. However the understanding was that CLG would issue replacement vehicles if they were beyond economic repair, or if the national provision requirement changed. Should LFRS be required to purchase replacement vehicles, grant from CLG may be available to fund them. Based on the current position, we had not included these vehicles (or any potential grant) in our replacement plan.

In addition, Fleet Services continued to review future requirements for the replacement of all vehicles in the portfolio, hence there may be some scope to modify requirements as these reviews were completed, and future replacement programmes would be adjusted accordingly.

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 Ariel Ladder Platform's (ALPs) at least 12 months prior to their planned replacement. As such orders in respect of 4 pumping appliances and 1 ALP scheduled for replacement in 2020/21 would need to be ordered in the new financial year.

Operational Equipment

The operational equipment plan as detailed in the report allowed for the replacement of items at the end of their current asset lives, based on current replacement cost. Each of the groups of assets were subject to review prior to replacement, which may result in a change of requirements or the asset life.

Buildings

In terms of all the building proposals it was noted that requirements/designs were still being developed hence costings were to provide some context for decision making. The two most significant building projects, both carried forward from last year related to:

- Preston Fire Station where plans were being refined, following North West Ambulance Service's decision not to pursue a joint facility; and
- Fleet workshop facility, where plans had been refined and a revised total budget cost of £3.9m was presented and agreed at November's Resources Committee.

The plan also incorporated amendments to the Private Finance Initiative (PFI) facility at Morecambe to provide an enhanced training facility for use by stations within the Northern Area and station modifications to enable site sharing with NWAS. Designs for this were still being refined, whilst discussions were on-going with the PFI provider to agree on how best to facilitate these changes. NWAS had proposed that the Authority funded the capital investment but that they would enter into a long term lease covering both running and the recovery of capital costs over the life of the lease, with suitable break causes included to allow for a recovery of outstanding capital in the event of early termination of the lease. Details relating to other Service Training Centre works were considered at November's Resources Committee. Based on the latest stock condition survey, several stations had identified upgrades to dormitory, drill tower, community room and shower facilities, the actual timing of which may be varied to match the capacity to deliver the works.

ICT

The sums identified for the replacement of various ICT systems were in line with the software replacement lifecycle schedule incorporated into the ICT Asset Management Plan. All replacements identified in the programme would be subject to review, with both the requirement for the potential upgrade/replacement and the cost of such being revisited prior to any expenditure being incurred.

Capital Funding

Capital expenditure could be funded from the following sources:

Prudential Borrowing
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 any future borrowing would incur a financing charge against the revenue budget for the period of the borrowing.

Given the financial position of the Authority, it had not needed to borrow since 2007, and repaid a large proportion of borrowing in October 2017. Based on the draft capital programme presented this position would not change. No allowance had been made of the potential relocation of Service Headquarters, as this project was due to be reviewed. The programme as presented would clearly need updating if the Authority decided to pursue the relocation in the future.

Capital Grant
Capital grants were received from other bodies, typically the Government, in order to facilitate the purchase/replacement of capital items.

The Emergency Services Mobile Communications Programme (ESMCP) project carried forward from 2018/19 was anticipated to receive £1.0m grant funding which was included in the programme. To date no other capital grant funding had been made available for 2019/20, nor had any indication been given that capital grant would be available in future years, and hence no allowance had been included in the budget.

Capital Receipts
Capital receipts were generated from the sale of surplus land and buildings, with any monies generated being utilised to fund additional capital expenditure either in-year or carried forward to fund the programme in future years. We did not hold any surplus property assets, therefore no further capital receipts were planned during the capital programme.

As at 31 December 2018 the Authority held £1.6m of capital receipts. At the end of the 5 year programme it was anticipated holding £1.4m of capital receipts, which would be available to meet future costs.

Capital Reserves
Capital Reserves had been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years. Following completion of the 2018/19 capital programme, and allowing for the transfer of the year end underspends the Authority expected to hold £16.5m of capital reserves. Over the life of the programme the Authority anticipated utilising £15.9m, leaving a balance of £0.6m by the end of 2023/24.

Revenue Contribution to Capital Outlay (RCCO)
Any revenue surpluses may be transferred to a Capital Reserve in order to fund additional capital expenditure either in-year or carried forward to fund the programme in future years. The revenue contribution remained the same over the life of the

programme, at £2.0m per annum.

Drawdown of Earmarked Reserves
The programme did not require the drawdown of any earmarked reserves.

Drawdown of General Reserves
The programme did not require the drawdown of any of the general reserve.

Total Capital Funding
The following table details available capital funding over the five year period:

	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Grant	1.000	-	-	-	-	**1.000**
Capital Receipts	-	-	0.088	0.137	-	**0.225**
Capital Reserves	8.437	7.476	0.603	-	(0.603)	**15.914**
Revenue Contributions	2.000	2.000	2.000	2.000	2.000	**10.000**
	11.437	**9.476**	**2.691**	**2.137**	**1.397**	**27.138**

If any other major capital project was identified the above position would change significantly. Dependent upon the extent of any new project the Authority would utilise all of the above reserves and may have to take out additional borrowing to deliver a balanced programme, with any such borrowing impacting directly on the revenue budget.

Summary Programme

The summary of the programme, in terms of requirements and available funding was discussed, as set out below:

	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Requirements	11.437	9.476	2.691	2.137	1.397	**27.138**
Capital Funding	11.437	9.476	2.691	2.137	1.397	**27.138**
Surplus/(Shortfall)	**-**	**-**	**-**	**-**	**-**	**-**

Over the next five years the capital programme was currently balanced, however it was noted that the following assumptions could change:-

- No allowance had been made for the potential relocation of SHQ, clearly there would be a need to take out significant additional borrowing if that project was pursued in the 5 year timeframe;
- Operational Communications replacements (ESMCP) were subject to a great deal of uncertainty in terms of both timing and costs as they related to a national replacement project, in addition there may be grant funding available for this which was also unknown at this time;
- Capital grant may be made available in future years, in order to assist service transformation and greater collaboration;
- New Dimensions vehicle replacements were expected to be carried out by CLG,

however this position may change;

- All operational equipment item replacements were at estimated costs, and would be subject to proper costings nearer the time;
- ICT software replacements were based largely on the ICT asset management plan, and were subject to review prior to replacement, which had led in the past to significant slippage;
- Property project timings were estimated and as such were expected to vary between years.

The programme was balanced, and as such could be considered prudent, sustainable and affordable. Future funding levels, both in terms of revenue and capital, would inevitably impact upon the achievability of the programme as identified and should any of the funding assumptions or expenditure items within the programme change, this would have an impact on the overall affordability of the programme.

A further report will be presented to the Resources Committee in June, confirming the final year end capital outturn for 2018/19 and the impact of slippage from this on the programme outlined.

Impact on the Revenue budget

It was noted that the capital programme and its funding directly impacted on the revenue budget in terms of capital financing charges and in terms of the revenue contribution to capital outlay. Dependent upon future funding position, the revenue contribution to capital (RCCO) could come under increasing pressure which may mean that the Authority needed to borrow to meet future capital requirements which would impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision (MRP)) charges, the scale of which would depend upon the type of asset the borrowing was charged against, as it was linked to the life of assets.

It was also worth noting that the capital programme showed the Authority utilising the majority of its capital reserves and receipts by the end of the 5 year period, meaning that any longer term capital requirements would need to be met from either capital grant, revenue contributions or from new borrowing. Potentially this could leave a problem in some future years where the on-going revenue contribution of £2.0m was insufficient to meet the current vehicle replacement programme and operational equipment capital replacements.

If a potential relocation of SHQ were to go ahead, it would have a long term impact on the revenue budget, for each £1m borrowed, the annual MRP charges would be £20k (based on an allocated 50 year asset life in accordance with current accounting policy), and the annual interest payable would be in the region of £28k (based on the same 50 year asset life at a current 50 year borrowing rate of 2.8%). For example, borrowing £5m would result in an additional £240k per year charge to the revenue budget.

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 prudence, the level of capital expenditure, in absolute terms, was considered to be prudent and sustainable at an annual average of £7.6m over the 3-year period. The trend in the capital financing requirement and the level of external debt were both considered to be within prudent and sustainable levels. No new borrowing was currently planned during the three years.
- In terms of affordability, the negative ratio of financing costs arose 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.

RESOLVED: - That the Combined Fire Authority approved the:-

i) Capital Strategy;
ii) Capital Budget;
iii) Ordering 4 pumping appliances and 1 ALP, scheduled for replacement in 2020/21, in the new financial year in order to meet delivery timeframes; and,
iv) Prudential Indicators as now presented.

75/18 REVENUE BUDGET 2019/20 - 2023/24

In order to determine the future budget requirement, the Authority had used the approved 2018/19 budget as a starting point and had uplifted this for inflation and other known changes and pressures to arrive at a draft budgetary requirement, prior to utilising any reserves as set out in the report.

The final proposed gross revenue budget for 2019/20 was £56.5m, an increase of 3.2%. This majority of the increase in costs related to forecast pay awards and revised pension contributions all of which was partly offset by the identification of £1.2m of efficiency savings/budget reductions.

As highlighted the budget allowed for a 2% pay award for grey book personnel in 19/20, whilst the current pay claim from the FBU was for 17%. Each 1% pay award in excess of the assumption equated to an additional cost of £340k per year for grey book personnel, and if this was mirrored for green book personnel an additional £70k. In order to give a flavour for the potential impact of this, a 5% pay award would add in a further £1.0m on an annual basis, compared with the budgeted allowance. Clearly the outcome of pay discussions would have a significant impact on this and future years' budgets.

The budget also allowed for an average increase of 12.6% in employer pension contributions for the Firefigher Pension Schemes (moving from 17.6% to 30.2%).

This was due to a combination of changing factors, the most significant of which was the revised discount rate used in unfunded public sector pension schemes would change. It was noted that the split by individual pension schemes had not been provided, only the average, and hence the actual additional cost would vary according to the mix of personnel in each pension scheme. This equated to an additional cost of £3.3m. However, the Government had allowed an additional £2.6m of funding in 2019/20 to offset some of this pressure (hence the net additional cost of £0.7m shown in the report). The additional cost pressure in future years would be considered as part of the next Spending Review, hence for medium-term planning it had been assumed that the additional £2.6m grant would continue.

The Local Government Finance Settlement confirmed funding was in line with the 4-year settlement figures, at £23.8m a reduction of £0.5m (2.0%), and that the council tax referendum level remained at 3.0%.

Based on the council tax referendum limit the Authority had a funding gap of £0.5m and would need to either identify additional savings or utilise reserves to set a balanced budget. Doing so would result in a net budget of £56.0m, and a council tax requirement of £69.48 per Band D property, an increase of 2.99% (£2.02 per annum, 4p per week). It was proposed that an unidentified saving target of £0.2m be agreed and that £0.3m of reserves were utilised to deliver a balanced budget in 19/20.

Until such time as the outcome of next year's Spending review was published it was impossible to provide any meaningful funding forecast, however for the purpose of medium term financial planning it was assumed that funding was frozen in subsequent years. Assuming council tax was increased in line with current referendum principle of 3% in future years the Authority was still faced with a recurring funding gap of approx. £0.3m-£0.5m, if the referendum principle was set at 2% in future years the gap varied between £0.9m in 20/21 increasing to £1.7m in 23/24.

Looking at the medium-term plans it was clear that the key variables remained pay awards, pension costs and funding. Any significant increase in pay award over and above the 2%-2.5% built into the budget or in the increase in pension costs over and above the £0.7m budgeted (net of additional grant) would add in significant financial pressures. Similarly should the settlement in 2020/21 and beyond be worse than the cash freeze budgeted for then the level of deficit would increase accordingly. As such a number of scenarios were presented in the report.

Currently the Authority remained in a good financial position with reserves able to offset the financial challenges next year. The position became more challenging thereafter however by that time the Authority should have greater certainty on future funding, pay awards and future referendum limits, which would enable it to deliver a more reliable medium term financial plan in order to address any funding gap that existed.

Members considered the report in detail.

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.

In response to a comment by County Councillor O'Toole the Director of Corporate Services confirmed that draw down from reserves only happened at year end. In relation to the income generated from new build domestic and commercial property the Director of Corporate Services confirmed that billing authorities provided both the council tax base and the business rates figures at the end of January for inclusion in the report. In terms of growth, the Director of Corporate Services confirmed that the Authority was part of a pilot for 75% business rates retention which would provide gross funding of £200k which was built in to the budget and this was partly offset by contributions to a Lancashire-wide risk resilience and investment reserve.

In response to a question by County Councillor Holgate on whether information on the banding of new properties was received from planning authorities to support budget predictions, the Director of Corporate Services confirmed that future forecast council tax bases and collection funds were based on a 5-year rolling average.

The Chief Fire Officer stated that all other Fire Authorities were facing the same uncertainties and very few would be in our position of having a fully funded capital programme and with the level of reserves able to offset the financial challenges for the following year.

The proposal based on a council tax increase of 2.99%, £2.02, resulting in a council tax of £69.48 for a Band D property was MOVED by County Councillor Frank De Molfetta and SECONDED by County Councillor Miles 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 (23)</u>
L Beavers, S Blackburn, P Britcliffe, I Brown, S Clarke, F De Molfetta, J Eaton, N Hennessy, S Holgate, D Howarth, F Jackson, A Kay, M Khan, Z Khan, E Oades, D O'Toole, M Parkinson, M Perks, J Shedwick, D Smith, D Stansfield, M Tomlinson and G Wilkins.

<u>Against (0)</u>

No Members voted against the motion.

<u>Abstained (0)</u>

No Members abstained.

The motion was therefore unanimously CARRIED and it was:

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

1. noted the Treasurer's advice on the robustness of the budget
2. noted the Treasurer's advice on the appropriate level of reserves/balances
3. agreed the revised budget requirement of £56.051m for 2019/20
4. noted the section 31 grant of £1.602m due in respect of the business rate reliefs

5. noted the level of Business Rates Retention Top Up Funding £17.657m
6. noted the level of Local Business Rates Retention Funding £6.032m
7. noted the business rate tax collection fund surplus of £0.008m
8. noted the council tax collection fund surplus of £0.311m
9. agreed the council tax requirement, calculated in accordance with Section 42A(4) of the Localism Act of £30.442m
10. noted the council tax base of 438,138 determined for the purposes of Section 42B of the Local Government Finance Act 1992
11. agreed a council tax band D equivalent of £69.48, an increase of £2.02 (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	£46.32
Band B	£54.04
Band C	£61.76
Band D	£69.48
Band E	£84.92
Band F	£100.36
Band G	£115.80
Band H	£138.96

12. agreed, based on each district and unitary councils share of the total band D equivalent tax base of 438,138, the share of the total LCFA precept of £30.442m levied on each council as follows:

Blackburn With Darwen Borough Council	£2,420,651
Blackpool Borough Council	£2,537,480
Burnley Borough Council	£1,611,311
Chorley Borough Council	£2,580,098
Fylde Borough Council	£2,089,125
Hyndburn Borough Council	£1,454,495
Lancaster City Council	£2,876,472
Pendle Borough Council	£1,671,780
Preston City Council	£2,673,730
Ribble Valley Borough Council	£1,612,562
Rossendale Borough Council	£1,417,115
South Ribble Borough Council	£2,486,509
West Lancashire District Council	£2,449,610
Wyre Borough Council	£2,560,876
TOTAL	£30,441,814

76/18 A REVIEW OF LOCAL AUTHORITIES' RELATIVE NEEDS AND RESOURCES

The current funding baselines for local authorities in England, as determined by the annual local government finance settlement, were based on an assessment of their relative needs and resources. The methodology behind this assessment was first introduced over ten years ago and had not been updated since the introduction of the 50% business rates retention system in 2013-14.

Whilst this approach had ensured that authorities which had grown their business rates since that time had benefited from the additional income generated, it also meant that authorities' underlying levels of 'need' had not been updated since the 2013-14 settlement. In addition, a desire to fully capture every aspect of local authorities' needs had led to increasingly large numbers of variables being included in the formulas, many of which had a relatively minimal impact on the overall distribution of funding.

As such it had been agreed that a simplified needs assessment formula, based on a smaller number of indicators, could achieve outcomes that were a good approximation of those of a more complex system.

The Government published a consultation document A Review of Local Authorities' Relative Needs and Resources in December, setting out proposals relating to future funding formulas. It was noted that the consultation would close on 21 February 2019. The consultation only related to the funding formula used i.e. how overall funding would be divided across the various authorities; it did not refer to the overall level of funding that would be made available in future settlements.

At the time of writing the report there are a number of workshops being held to discuss the issues, hence it had not been possible to draft a response until such time as these had taken place.

RESOLVED: - That the Authority delegated agreement of a response to the Treasurer in consultation with the Chief Fire Officer and the Chairman.

77/18 MEMBER CHAMPION ACTIVITY - QUARTERLY REPORT

The concept of Member Champions was introduced in December 2007. A review of the areas of focus for Member Champions was considered at the Authority meeting held in June 2017 where new areas of responsibility were agreed. The current Member Champions and their areas of responsibility were:

- Community Safety – County Councillor Mark Perks
- Equality, Diversity and Inclusion – Councillor Zamir Khan;
- Health and Wellbeing – County Councillor Tony Martin;
- 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 31 January 2019. During this period all had undertaken their respective role in accordance with the defined terms of reference.

The Member Champions present extended their gratitude to the teams of staff for their dedication, enthusiasm and hard work supporting our communities and making Lancashire safer.

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

78/18 FIRE PROTECTION REPORTS

A report detailing prosecutions in respect of fire safety management failures and arson related incidents within the period 1 December 2018 to 1 February 2019 was provided. A number of prosecution cases under the Regulatory Reform (Fire Safety) Order 2005 were being prepared. The Deputy Chief Fire Officer advised that in relation to the Crown Hotel, Burnley prosecution, a guilty plea had been entered. There were 6 cases for the owner to answer and 1 case for the employer with sentencing scheduled for 25 March 2019.

County Councillor Shedwick asked that thanks be provided to the officers whose hard work had contributed to securing these prosecutions.

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

The Deputy Chief Fire Officer advised that in response to a significant incident in Poland where lives were lost in a fire in an escape room, the 10 properties of this kind in Lancashire had been inspected.

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

79/18 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.

The Assistant Chief Fire Officer advised that, during the period had been a challenging time with incidents on the motorway; there had been 2 incidents on the M58 and more recently on the M61 and there had also been a number of large multi-pump incidents.

County Councillor O'Toole asked whether Councillor Jackson as Road Safety Champion could find out if there were ongoing problems with the same stretch of the M58. The Assistant Chief Fire Officer advised that both he and Councillor Jackson sat on the Lancashire Road Safety Partnership. Councillor Jackson confirmed he would raise the question at a future meeting of the partnership given the Service was involved in road safety accidents, some of which were very traumatic.

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

80/18 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.

81/18 DATE OF NEXT MEETING

The next meeting of the Authority would be held on Monday 29 April 2019 at 10:00am at the Training Centre, Euxton.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood