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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Monday, 21 May 2018 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

IF YOU HAVE ANY QUERIES REGARDING THE AGENDA PAPERS OR REQUIRE ANY FURTHER INFORMATION PLEASE INITIALLY CONTACT DIANE BROOKS ON TELEPHONE NUMBER PRESTON (01772) 866720 AND SHE WILL BE PLEASED TO ASSIST.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014
Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. APOLOGIES FOR ABSENCE

2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

   Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 4)

4. YEAR END TREASURY MANAGEMENT OUTTURN 2017/18 (Pages 5 - 12)

5. YEAR END CAPITAL OUTTURN 2017/18 (Pages 13 - 22)

6. YEAR END REVENUE OUTTURN 2017/18 (Pages 23 - 30)

7. YEAR END USABLE RESERVES AND PROVISIONS OUTTURN 2017/18 (Pages 31 - 38)

8. CORE FINANCIAL STATEMENTS 2017/18 (Pages 39 - 60)

9. FINANCIAL MONITORING 2018/19 (Pages 61 - 62)

10. PROCUREMENT STRATEGY (Pages 63 - 78)

11. EFFICIENCY PLAN 2018/19 (Pages 79 - 88)

12. DATE AND TIME OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 26 September 2018 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 28 November 2018
proposed for 27 March 2019

13. URGENT BUSINESS

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

14. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

PART 2

15. HIGH VALUE PROCUREMENT PROJECTS (Pages 89 - 94)

16. REPORT ON TRANSACTION OF URGENT BUSINESS (Pages 95 - 96)

17. URGENT BUSINESS (PART 2)

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 28 March 2018, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
L Beavers
D Coleman
F Jackson
T Martin
D O'Toole
D Stansfield
M Tomlinson (for N Hennessy)
G Wilkins
T Williams

Officers

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

In attendance

S Holgate

55/17 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Nikki Hennessy.

56/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

57/17 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 21 March 2018 be confirmed as a correct record and signed by the Chairman.

58/17 GENDER PAY GAP

At the previous meeting it was agreed that this extraordinary meeting be called to discuss this item in more detail (resolution 47/17 refers).

The Equality Act (2010) (Specific Duties and Public Authorities) Regulations 2017 came into force on 31 March 2017. These regulations imposed a legal obligation for employees with 250 or more employees to publish gender pay details by 30 March 2018 and to highlight the difference in gross pay and bonus payments made to female as compared with male employees.

The Service had and was making improvements in gender breakdown difference, with the latest recruitment processes for whole-time recruitment showing clear progress. The Service had also had for many years clear pay structure arrangements (as outlined in the Pay Settlement) which provided for equal pay for both men and women across the roles throughout the organisation. Members had previously endorsed the single status approach for “green book” employees utilising the local authority job evaluation methodology and had adopted the living wage principles. It therefore did not have a direct equal pay issue within the Service. (Men and women who carried out the same jobs or similar jobs or work of equal value were paid the same).

It was recognised, however, that like all fire and rescue services the Authority had an unbalanced spread of male and female employees in the different occupational staff groups and at different levels and roles. A significant factor was the different construction of Terms and Conditions and remuneration between the “Grey” and “Green” book roles. These factors reflected the diversity and differences in activity and requirements. These were two significant reasons for the gender pay gap outcomes.

In addition the mean gender pay gap was significantly affected by the inclusion of certain groups and the official methodology utilised to calculate the position. The guidelines for the Gender Pay Gap calculation were to enable comparisons to be made across employers. In LFRS this provided an unexpected outcome, if dual contract and Retained Duty System (RDS) employees were included in the total calculation (as highlighted in the report). This outcome was a positive female differential in the mean as opposed to the median calculation. Although any national formula was likely to have unexpected outcomes, this was considered by the Executive to be a distortion due to the makeup of these two particular groups. A truer reflection would be to report the figure without inclusion of the RDS element in the headline figure. If these two groups of staff were excluded then a negative pay gap would be the outcome, which was more in line with the expectation and the national position, as well as other fire services.

The Director of People and Development confirmed he was confident of the figures presented. It was noted that the majority of companies (60%) had not submitted a return yet.

The Chief Fire Officer confirmed that LFRS did not have different pay scales for men and women for the same role. The gender pay gap report was concerned with the distribution of genders throughout different roles. It was noted that LFRS was one of a few fire and rescue services in the country that had a salary system for Retained Duty (RDS) staff and LFRS significant numbers of dual contracted staff.

Members acknowledged that the RDS and dual contract elements distorted the figures. It was also noted that the changes to RDS pay would affect the figures when the exercise was calculated in future years.

The Chief Fire Officer confirmed that the Service was trying to address the gender balance within the organisation through ensuring there were no barriers for females to progress. It was noted that firefighters stayed in the service for 30-35 years and any change to the profile in order to narrow the pay gap would take some time, particularly as there had been a recruitment freeze during the majority of 2003-2016. He was however pleased to report that the last recruitment intake included 20% female and 10% BME.

Following discussion Members agreed that it was better for transparency to publicise the report acknowledging the RDS and dual-contract staff skewed the figures. The Director of People and Development would provide feedback to the government on its online service to improve future reporting which enabled explanatory information / comments to be given.

RESOLVED: That the Committee:
i) Approved the inclusion of the RDS related detail in the Gender Pay Gap mean calculation;
ii) Authorised the publication of the Gender Pay Gap Report.

59/17 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Monday 21 May 2018 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 26 September 2018, 28 November 2019 and 27 March 2019.

60/17 URGENT BUSINESS - THE KERSLAKE REPORT

The Chief Fire Officer advised that following the publication of the Kerslake report the previous day, he had written to all staff advising that the report was a reminder to everyone in the emergency services that we must review and learn from every incident to ensure public safety. He confirmed that when he became Chief his messages to staff stressed the need for risk awareness; assessing and balancing risk and taking risk in a measured way.

The Deputy Chief Fire Officer (DCFO) advised that after any major incident the Service was not complacent and we looked for ways to learn and assure ourselves.

He advised the joint emergency services interoperability programme was a joint operational model that helped to bring together available information, reconcile objectives and make effective decisions when Police, Fire and Ambulance Services responded together at major incidents.

He confirmed that LFRS National Interagency Liaison Officer (NILO) group worked closely with the Police. NILOs were security cleared and they gained access to really good situational awareness at an early stage of an incident. As reported to a recent Audit Committee meeting LFRS was in the process of providing these officers with ballistic protection to avoid the non-wearing of a certain type of PPE to be a barrier to accessing and receiving information on the incident ground. LFRS was absolutely clear of the expectation that staff attend a multi-agency rendezvous point to adjust planning assumptions from there.

In response to a question raised by Councillor Williams the Deputy Chief Fire Officer confirmed that the Police were in charge if there was a threat to life, the Fire Service if there was a fire and the Ambulance Service if there was a medical emergency.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

YEAR END TREASURY MANAGEMENT OUTTURN 2017/18
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the Authority's borrowing and lending activities during 2017/18. All borrowing and investment activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2017/18, and are based on anticipated spending and interest rates prevailing at the time.

Recommendation

The Resources Committee is asked to note and endorse the outturn position report.

Information

In accordance with the updated CIPFA Treasury Management code of practice and to strengthen members' oversight of the Authority's treasury management activities, the Resources Committee receives regular updates on treasury management issues including a mid-year report and a final outturn report. Reports on treasury activity are discussed on a quarterly basis with Lancashire County Council Treasury Management Team and the Director of Corporate Services and the content of these reports is used as a basis for this report to the Committee.

Economic Overview

Treasury Management activity is influenced by the actual and forecast economic position. During 2017/18 the UK economy showed signs of slowing economic growth with latest estimates showing GDP grew by 1.8% in calendar 2017, the same level as in 2016. Although this was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, it reflected the impact of the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The year saw an increase in inflation with the Consumer Prices Index (CPI) rising to 3.1% in November partly due to the impact of the falling exchange rate before falling back to 2.7% in February 2018. Data on the unemployment rate was positive with the rate falling to 4.3% in January. However there still remained concerns over the strength of the economy. Average real earnings growth, i.e. after inflation, turned negative before slowly recovering which indicates a potential weakness in consumer spending an important source of economic growth. Also, there is a weakness in UK business investment which was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit. Although the UK and the EU reached an agreement in March 2018 on a transition which will go up to Q4 2020 there is still significant uncertainty over the long term trade arrangements.

With concerns over inflation being above its target The Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate by 0.25% in November 2017. This was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 months) horizon and indicated there would be 'gradual' and 'limited' increases in rates.

However, there is still uncertainty in the economy which could impact on the policy. The imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Credit background:

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. Under these rules the largest UK banks will be required to separate their retail banking services to individuals and small businesses from their investment banking activities with the retail bank being referred to as the ring fenced bank. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Other developments:

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget. This guidance has now been revised to "Arlingclose is now comfortable with clients lending to

Northamptonshire County Council for treasury management purposes for a maximum duration of 12 months"

Interest Rate Environment

Short term interest rates continue to be at historically very low levels. As referred to above 2017/18 saw the first increase in interest rates for a decade when in November the base rate was increased to 0.5% from 0.25%. The expectation during the year was that interest rates would remain low for the rest of the financial year and beyond. It is anticipated that although rates may increase they will remain at low levels. Lancashire County Council's Treasury Management advisors, Arlingclose Treasury Consultants, are forecasting two small increases in 2018/19 with base rates being at 1% in March 2019.

Cash Flow

Cash flow predictions are made on a rolling basis in order to ensure that the Authority has sufficient funds to meet its day to day requirements and also inform investment and borrowing decisions.

The cash flow position, along with the interest rate environment, form part of the regular discussions between the Director of Corporate Services and the Lancashire County Council Treasury Management Team, in order to inform future decisions on borrowing and investments.

Borrowing

All of the Fire Authority's debt is held with the Public Works Loans Board (PWLB). The Fire Authority has had a policy setting aside monies in the form of statutory and voluntary minimum revenue provision (MRP) in order to repay debt as it matures or to make an early repayment. Early repayments would be made only if it is deemed to be a financially prudent decision after taking into account the penalties incurred from an early repayment. In line with this policy £0.330m of debt was repaid on maturity and a further £3.184m of debt was repaid early following a report to the resources committee on the 27 September 2017. The early repayment of the loans incurred a penalty of £0.636m which was financed from the earmarked reserve. No new borrowing was undertaken in the year therefore the borrowing position is:

	2017/18
	£'000
Borrowing at 31 March 2017	5,514
Repayment of Maturing Debt	330
Early repayment of debt	3,184
Borrowing at 31 March 2018	**2,000**

The maturity and interest rate of the Authority's outstanding borrowing is:

Loan amount	Maturity Date	Interest rate
£650k	December 2035	4.49%
£650k	June 2036	4.49%
£700k	June 2037	4.48%

Total interest paid on PWLB borrowing was £0.176m, which equates to an average interest rate of 4.50%. This Includes the interest paid on the debt repaid during the year.

A further review of the remaining debt was undertaken February 2018. At the time it was concluded that the penalty charge was too high to justify paying off the loan or restructuring it. The position will continue to be reviewed.

Investments

Both the CIPFA Code and the DCLG Guidance require 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. Throughout the year when investing money the key aim was to strike an appropriate balance between risk and return.

In order to reduce credit risk to the Authority, Lancashire County Council (credit rating by Moodys Aa3) is the main counterparty for the Authority's investments via the operation of a call account. However the Treasury Management Strategy does include other high quality counterparties. In accordance with this policy, long term investments with other UK local authorities have been held. In July 2017 a 3 year investment matured while at year end a long-term investment is still held. Details are as outlined below:

Start Date	End Date	Principal	Rate	Annual Interest
30/6/14	28/6/19	£5,000,000	2.4%	£120,000

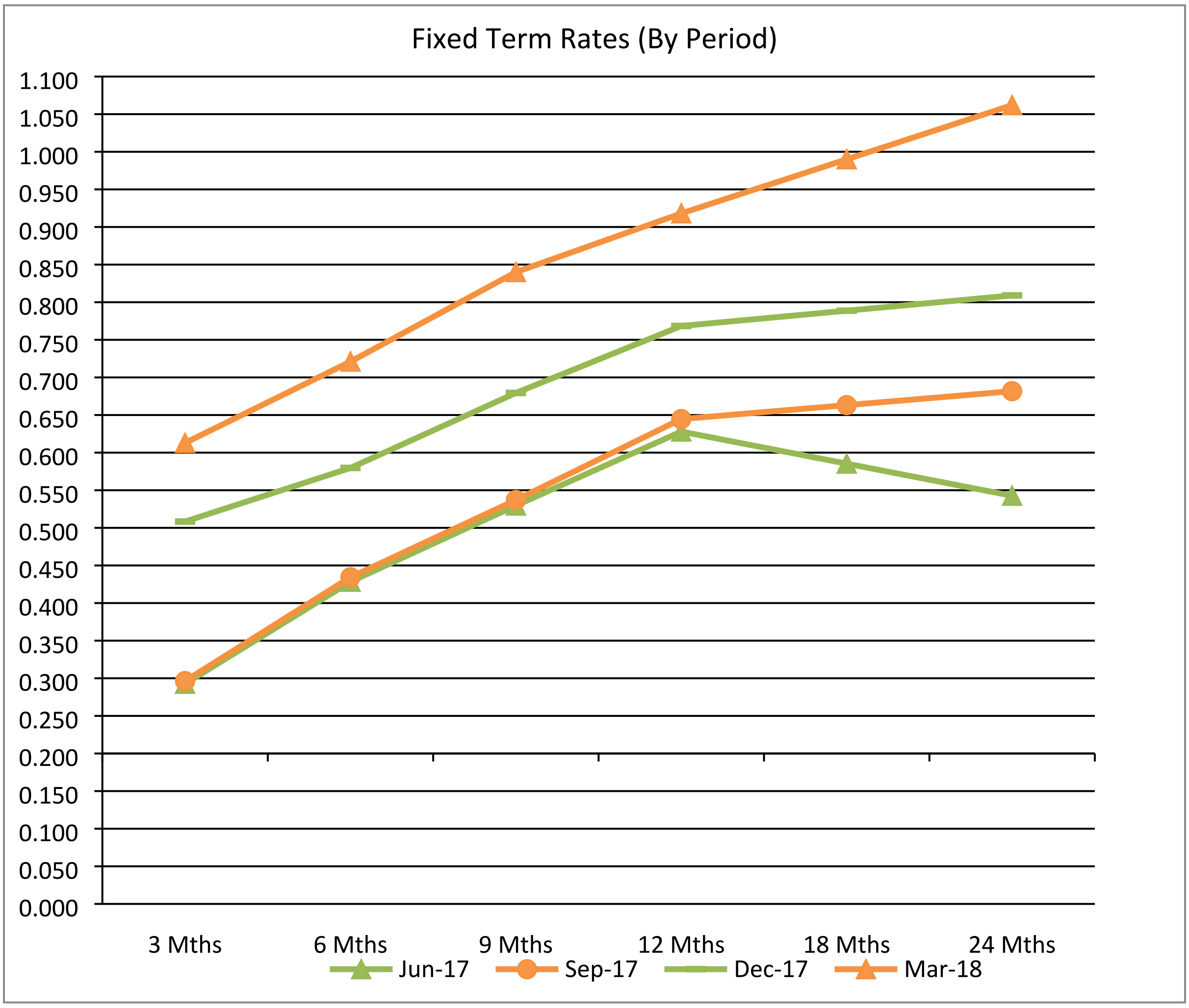
The call account provided by Lancashire County Council paid the base rate throughout 2017/18. Each working day the balance on the Authority's current account is invested in this to ensure that the interest received on surplus balances is maximised. As at 31 March the Authority had £28.6m in the call account, with an average balance during the year of £34.2m earning interest of £0.120m.

Total investment held at the start and end of the year were:-

	Call Account	Fixed Term Deposit	Total
1 April 2017	£29.1m	£10.0m	£39.1m
Change in Year	(£0.5m)	(£5.0m)	(£5.5m)
31 March 2018	£28.6m	£5.0m	£33.6m

The overall interest earned during this period was £0.240m at a rate of 0.61% which compares favourably with the benchmark 7 day notice index which averages 0.35% over the same period.

The chart below shows the interest rates for different investment maturities during the year. Although indicative of the rates available they might have been offered by lenders who do not meet the credit rating criteria of the Authority's policy but it does illustrate that higher rates could potentially be achieved if longer term investments, were undertaken.



All of these investments are made in accordance with the current Treasury Management Strategy and the CIPFA treasury management code of practice.

Cash flow and interest rates continue to be monitored by the Director of Corporate Services and the County Council's treasury management team, and when rates are felt to be at appropriate levels further term deposits will be placed.

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators are determined against which performance may be measured. The revised indicators for 2017/18 are shown in the table over the page alongside the actual outturn position.

	Revised	Actual
Adoption of the CIPFA Code of Practice for Treasury Management	Adopted	Adopted
Authorised limit for external debt	£000	£000
A prudent estimate of total external debt, which does not reflect the worst case scenario, but allows sufficient headroom for unusual cash movements		
Borrowing	7,800	2,000
Other long-term liabilities – these relate to vehicle finance leases and the PFI agreements	15,400	14,316
Total	23,200	16,316
Operational boundary for external debt		
A prudent estimate of debt, but no provision for unusual cash movements. It represents the estimated maximum external debt arising as a consequence of the Authority's current plans		
Borrowing	6,800	2.000
Other long-term liabilities – these relate to vehicle finance leases and the PFI agreements	14,500	14,316
Total	21,300	16,316
Upper limit for fixed interest rate exposure		
Borrowing	100%	100%
Investments	100%	15%
Upper limit for variable rate exposure		
Borrowing	25%	-
Investments	100%	85%
Upper limit for total principal sums invested for over 364 days (per maturity date)	25.000	5.000
Maturity structure of debt	**Upper/ Lower Limits**	**Actual**
Under 12 months	100%/nil	-
12 months and within 24 months	30%/nil	-
24 months and within 5 years	50%/nil	-
5 years and within 10 years	50%/nil	-
10 years and above	100%/nil	100.0

Financial Implications

The following table summarises the Financing costs for the Authority, comparing actual with budget:-

	Revised Budget £m	Actual £m	Reason for variance
Interest Payable on PWLB loans	0.251	0.176	Repaid all but £2m loans during the year
Interest Receivable on call account and fixed term investments	(0.186)	(0.256)	Higher cash balances than forecast, favourable interest rates
Minimum Revenue Provision re PWLB loans	0.058	0.058	In line with revised budget
Net financing income from Treasury Management activities*	0.123	(0.022)	

* There are financing costs associated with vehicle finance leases and the PFI agreements, which are not included in the balances above as they are not the result of Treasury Management activities.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

The Treasury Management Strategy is designed to maximise interest earned, minimise interest paid whilst maintaining an acceptable level of risk. The reviews of performance provide members with an assurance that this has been complied with.

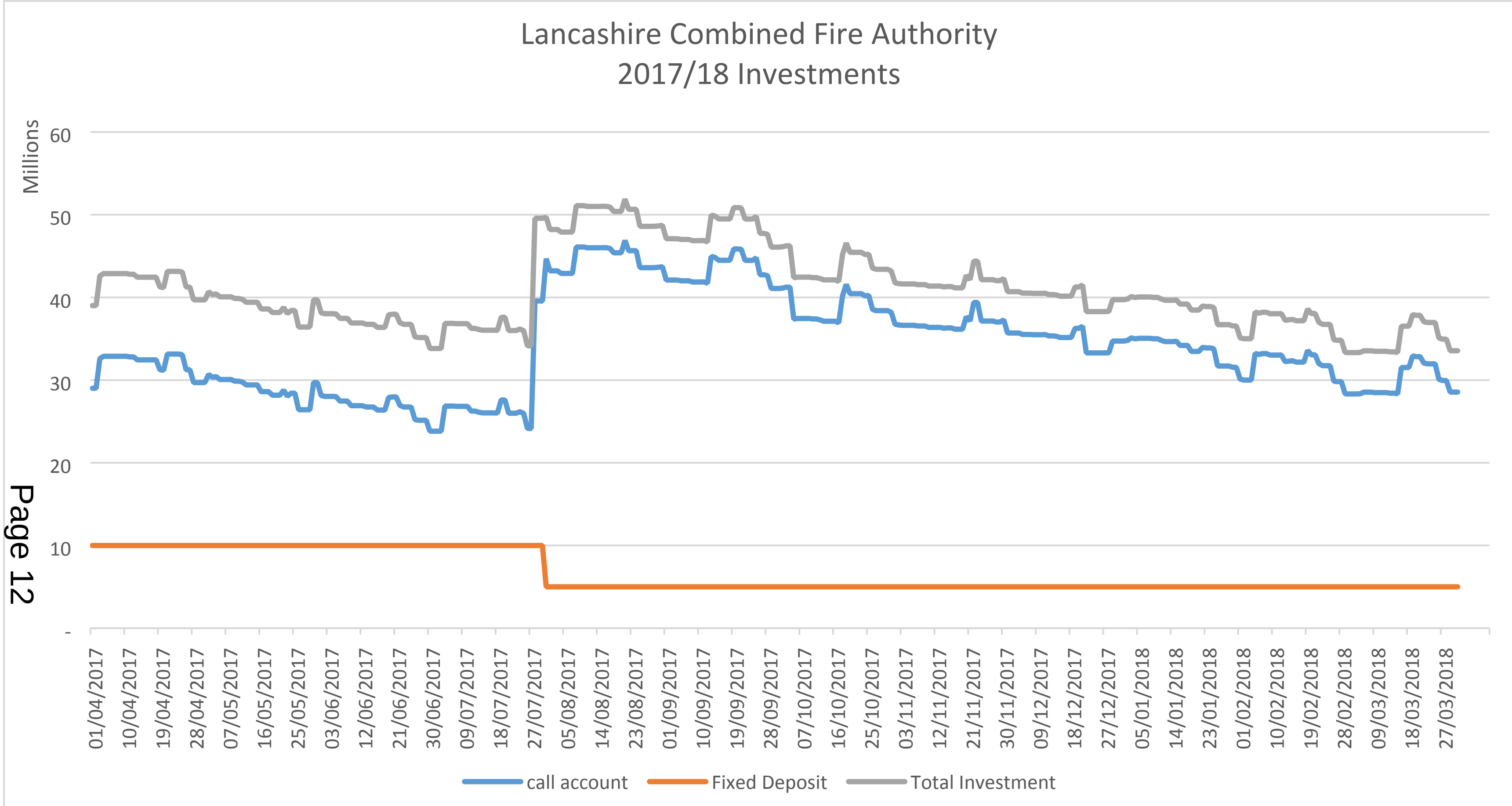
Environmental Impact

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
Treasury Management Strategy 2017/18	February 2017	Keith Mattinson, Director of Corporate Services
Treasury Management Guidance	February 2017	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

Appendix 1



Lancashire Combined Fire Authority
2017/18 Investments
Millions
60
50
40
30
20
10
-
01/04/2017
10/04/2017
19/04/2017
28/04/2017
07/05/2017
16/05/2017
25/05/2017
03/06/2017
12/06/2017
21/06/2017
30/06/2017
09/07/2017
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30/11/2017
09/12/2017
18/12/2017
27/12/2017
05/01/2018
14/01/2018
23/01/2018
01/02/2018
10/02/2018
19/02/2018
28/02/2018
09/03/2018
18/03/2018
27/03/2018
call account
Fixed Deposit
Total Investment

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

YEAR END CAPITAL OUTTURN 2017/18
(Appendices 1 and 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents:

- the year end position for the Authority's capital programme, and how this has been financed;
- the impact of slippage from the 2017/18 capital programme into the 2018/19 programme.

Recommendation

The Resources Committee is asked to:-

- note the capital outturn position, the financing of capital expenditure 2017/18 and the prudential indicators;
- approve the purchase of an additional pumping appliance, as opposed to 2 driver training vehicles, and the impact of this on the 2018/19 capital programme;
- note the adjustment to the 2018/19 capital programme to allow for the purchase of a new ALP;
- approve the revised 2018/19 capital programme, the financing of this and the prudential indicators.

Information

The year end position for the Authority's capital programme, and how this has been financed, is set out in Appendix 1, and summarised below.

The final outturn position was spend of £4.6m spend compared with total budget of £12.7m, with the difference being slippage of £8.1m.

This position is broadly consistent with forecasts reported at the last meeting, which anticipated an outturn spend of £4.7m and slippage of £8.0m. As can be seen, the main change is a reduction in spend, associated with Lancaster Fire and Ambulance Station, with a corresponding increase in slippage requirement – members should note that slippage is simply a timing issue dependent on the progress of capital schemes, and not an indication of future underspends.

Area of Spend	17/18 Budget	Actual Expend -iture	Slipp-age	(Under) / Over spend	Explanation
	£m	£m	£m	£m	
Pumping Appliances	1.7	1.7	-	-	The budget allowed for the purchase of 6 pumping appliances for the 2017/18 programme, for which the order was placed in February 2017. These were delivered in March. In addition, the budget allows for the final stage payments in relation to the 5 pumping appliances carried from the 2016/17 programme, which were delivered during June and August.
Other Vehicles	1.3	0.7	(0.6)	-	Spend related to the purchase of the Water Tower vehicle and various operational support vehicles during the year. In addition, this budget also allowed for the replacement of one of the Command Support Units, requirements are still being finalised therefore as previously reported this will slip over into 2018/19, along with the budget for any support vehicles not received. The budget also included the replacement of two Driver Training Vehicles. Following a review it is proposed that these are replaced with pumping appliances, thus providing more realistic driver training, as well as increasing the reserve fleet, and also recognising that over the 8 year life of Driver Training vehicles pumping appliance deign will change and hence a policy for providing training on actual pumping appliances will ensure that vehicles used for training purposes keep pace with design developments. The cost of a pumping appliance is currently £205k compared with the budget for two driver training vehicles of £190k, hence an additional drawdown of £15k from the capital funding reserve will be required in 18/19.
Operational Equipment	1.1	0.3	(0.8)	-	Spend relates to the purchase of fog spikes within the future firefighting budget. This budget also allowed for the replacement of Thermal Imaging Cameras (TICs), for which was subject to a regional procurement exercise, which were delivered in March. In addition, the budget allowed for the balance of the Future Fire Fighting equipment budget, the majority of which relates to the purchase of the technical rescue jackets, following the regional

					procurement exercise, which will be delivered during the first quarter of the new financial year as previously reported. The replacement of Breathing Apparatus Radios will slip into 2018/19, as options are being reviewed including the potential to undertake a regional procurement process.
Buildings	6.6	1.9	(4.7)	-	Committed spend to date relates to completion of the replacement water main and the completion of the Multi Compartment Fire Fighting prop at STC, purchase of the land adjacent to Preston Fire Station in preparation for redevelopment, and sums paid to date in respect of the redevelopment of the Lancaster Fire & Ambulance facility, which is expected to complete during the first quarter of 2018/19. The slippage figure relates to: • Carry forward of outstanding STC redevelopment works, • the balance of costs associated with the completion of Lancaster Station • the redevelopment of Preston Fire and Ambulance Station where we are in the process of appointing consultants to take the project forward to detailed design and ultimately construction. • the replacement Fleet workshop is currently in the detailed design stage prior to undertaking a tendering exercise
ICT Systems	2.0	-	(2.0)	-	The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. We will not incur any costs in the current year. We are still awaiting an updated project timeframe form the National project team Given the delay on the ESMCP project, the replacement station end project has also been delayed, however we are currently reviewing options to enhance resilience and ensure that any solution is compatible with the eventual ESMCP solution. The budget also allowed for the replacement of the Services wide area network (WAN) providing an enhanced

					network and improving speed of use across the Service. The delivery of this is currently scheduled for the first half of the new financial year. The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. We are still reviewing these systems in terms of requirements, having experienced capacity issues within various departments. Hence the delay into the new financial year.
Grand Total	**12.7**	**4.6**	**(8.1)**	**-**	

Appendix 1 also shows how the programme has been financed in year, from a combination of capital grant (£0.5m), revenue contributions (£1.5m), the drawdown of earmarked reserves (£0.2m) and the drawdown of general reserves (£2.4m). The balance of the agreed revenue contributions (£0.9m) and the agreed drawdown of general reserves (£0.2m) has been transferred to the capital funding reserve, and will be utilised in 2018/19.

Prudential Indicators 2017/18

Under the prudential framework the Authority is required to identify various indicators to determine whether the capital programme is affordable, prudent and sustainable.

The revised indicators, after allowing for the various changes to the capital programme, are shown in the following table, alongside the actual outturn figures, and these show that performance has been within approved limits.

	Revised	**Actual**
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	0.23%	(0.06%)
Capital Expenditure (this is simply a measure of spend)	£12.704m	£4.638m
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	£0.250m	£0.250m

Impact of 2017/18 Capital Programme on Council Tax

The estimated impact on band D council tax of the revised capital programme compared to the actual outturn figures is as follows:

	Revised	**Actual**
Gross Increases in Band D Council Tax	£20.19	£9.72
Estimated Government Support (RSG)	-	-
Increases in Band D Council Tax	£20.19	£9.72
Of which, due to the budgeted revenue contribution	£5.66	£5.70
Of which, due to utilisation of reserves	£14.54	£4.02
Net increases in Band D Council Tax	-	-

As can be seen, there is no increase in council tax arising from the use of the revenue budget to fund capital expenditure, which was already allowed for in the overall council tax charged for 2017/18. Hence the net impact in terms of new council tax was zero.

The Impact of Slippage from the 2017/18 Capital Programme into the 2018/19 Programme

The original approved capital programme for 2018/19 was £8.0m, which excluded any estimated slippage from 2017/18. This has been amended to reflect the final level of slippage of £8.1m, outlined above. In addition approval has been given to bringing forward the replacement of an ALP from 2019/20 into 2018/19, at a cost of £0.6m. The ALP in question was 18 years old and was included in next year's programme primarily due to lead times, however as our current supplier was able to offer a stock vehicle, the opportunity to purchase this was agreed on the basis of savings in terms of maintenance and training costs. Therefore the final proposed capital programme for 2018/19 is £16.6m, which is funded from capital grant, revenue contributions, and capital reserves. The revised programme and its funding are set out in appendix 2. It is worth re-iterating that the full cost of schemes is included in the year in which procurement of works/services is anticipated to start, even when a major scheme is anticipated to spread over two financial years. Whilst this inevitably leads to slippage on the programme it ensures that the full costs of the scheme can be met from in-year budget should works proceed ahead of anticipated timescales. An update on forecast timings and spend in year will be provided at the next Committee meeting.

The following table sets out the revised prudential indicators for 2018/19-2020/21, showing that the revised programme remains affordable, prudent and sustainable, as follows: -

	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**
Ratio of Financing Costs to Net Revenue Stream. (the figures show that the revenue costs of the Authority's capital expenditure plans are still a very small part of the overall budget.)	(0.31%)	(0.23%)	(0.26%)
Capital Expenditure	£16.037m	£5.811m	£3.923m
Capital Financing Requirement	£0.245m	£0.245m	£0.245m

Impact of revised 2018/19 Capital Programme on Council Tax

The estimate of the impact of slippage would indicate the following increases in the band D council tax over the period:

	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**
Gross Increases in Band D Council Tax	£34.78	£13.21	£8.77
Estimated Government Support (RSG)	-	-	-
Increases in Band D Council Tax	£34.78	£13.21	£8.77
Of which, due to the budgeted revenue contribution	£4.63	£4.55	£4.47
Of which, due to utilisation of reserves	£30.15	£8.66	£4.30
Net increases in Band D Council Tax	-	-	-

The increase in council tax arises from the budgeted drawdown from reserves, which has already been charged to the council tax in previous years, and the budgeted revenue contribution, which is already allowed for in the overall council tax charged for 2018/19. Hence there is no net impact in terms of new council tax in each of the three years.

Capital Reserves

Over the next five years the position in terms of capital reserves, available to fund future capital programmes will be as follows: -

	Capital Reserves	Capital Receipts	Capital Grant	Total
	£m	£m	£m	£m
Balance 31/3/17	16.6	1.5	0.5	18.6
Transfer from revenue budget	2.6	-	-	2.6
Capital Receipts	-	0.1	-	0.1
Utilised	(2.4)	-	(0.5)	(2.9)
Unused Revenue Contributions	0.9			0.9
Balance 31/3/18	17.7	1.6	-	19.3
Additions/utilisation in year	(13.6)	-	-	(13.6)
Balance 31/3/19	4.1	1.6	-	5.7
Additions/utilisation in year	(3.2)	-	-	(3.2)
Balance 31/3/20	0.9	1.6	-	2.5
Additions/utilisation in year	(0.9)	(1.0)	-	(1.9)
Balance 31/3/21	-	0.6	-	0.6
Additions/utilisation in year	(0.0)	(0.1)	-	(0.1)
Balance 31/3/22	-	0.5	-	0.5
Additions/utilisation in year	0.9	-	-	0.9
Balance 31/3/23	0.9	0.5	-	1.4

As can be seen the capital programme over the next five financial years will leave a balance of £1.4m in capital reserves.

Financial Implications

As outlined in the report

Business Risk Implications

The outturn report sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

The environmental impact of decisions relating to the capital programme will be considered as part of the project planning process, and where possible we will look to minimise the environmental impact of this where it is considered practical and cost effective to do so.

Equality and Diversity Implications

The capital programme in respect of replacement/refurbishment of existing property will include some element of adaptations to ensure compliance with the Equality & Disability legislation.

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

<table>
<tr><td>Paper</td><td>Date</td><td>Contact</td></tr>
<tr><td>None</td><td></td><td></td></tr>
<tr><td colspan="3">Reason for inclusion in Part II, if appropriate:</td></tr>
</table>

APPENDIX 1

CAPITAL BUDGET 2017/18

	Revised Programme	Actual Expenditure	Variance to Date	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles						
Pumping Appliance	1.728	1.728	(0.000)	-	1.728	(0.000)
Other Vehicles	1.322	0.710	(0.611)	(0.594)	1.304	(0.019)
	3.050	2.438	(0.611)	(0.594)	3.032	(0.019)
Operational Equipment						
Operational Equipment	1.112	0.327	(0.785)	(0.776)	1.103	(0.009)
	1.112	0.327	(0.785)	(0.776)	1.103	(0.009)
Buildings Modifications						
STC Redevelopment	0.793	0.224	(0.569)	(0.569)	0.793	-
Lancaster Replacement	2.119	1.498	(0.621)	(0.621)	2.119	-
Other works	3.650	0.151	(3.499)	(3.500)	3.651	0.001
	6.562	1.873	(4.689)	(4.690)	6.563	0.001
ICT						
IT Systems	1.980	-	(1.980)	(1.980)	1.980	-
	1.980	-	(1.980)	(1.980)	1.980	-
Total Capital Requirement	**12.704**	**4.638**	**(8.065)**	**(8.039)**	**12.677**	**(0.027)**
Funding						
Capital Grant	1.505	0.505	(1.000)	(1.000)	1.505	-
Revenue Contributions	2.421	1.493	(0.928)	(0.928)	2.421	-
Earmarked Reserves	0.249	0.224	(0.025)	(0.025)	0.249	-
General reserves	2.600	2.416	(0.184)	(0.184)	2.600	-
Capital Reserves	5.929	-	(5.929)	(5.902)	5.902	(0.027)
Total Capital Funding	**12.704**	**4.638**	**(8.066)**	**(8.039)**	**12.677**	**(0.027)**

APPENDIX 2

CAPITAL BUDGET 2018/19

	Original Prog	Slippage	Resources May	Revised Programme
Vehicles				
Pumping Appliance	1.230	-	0.205	1.435
Other Vehicles	0.998	0.594	0.398	1.990
	2.228	**0.594**	**0.603**	**3.425**
Operational Equipment				
Operational Equipment	-	0.776	-	0.776
	-	**0.776**	**-**	**0.776**
Buildings Modifications				
STC Redevelopment	2.000	0.569	-	2.569
Lancaster Replacement	-	0.621	-	0.621
Preston Replacement	3.500	3.500	-	7.000
Other works	-	-	-	-
	5.500	**4.690**	**-**	**10.190**
ICT				
IT Systems	0.270	1.980	-	2.250
	0.270	**1.980**	**-**	**2.250**
Total Capital Requirement	**7.998**	**8.040**	**0.603**	**16.641**
Funding				
Capital Grant	-	1.000	-	1.000
Revenue Contributions	2.000	-	-	2.000
Earmarked Reserves	-	0.025	-	0.025
General reserves	-	-	-	-
Capital Reserves	5.998	7.015	0.603	13.616
Total Capital Funding	**7.998**	**8.040**	**0.603**	**16.641**

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

YEAR END REVENUE OUTTURN 2017/18
(Appendices 1 & 2 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the revenue outturn position, and the impact of this on usable reserves.

The overall outturn position shows a slight overspend of £7k, which is slightly lower than the £100k overspend previously forecast.

Recommendation

The Resources Committee is asked to:-

- note the additional income receivable in respect of our proportion of business rates;
- note the outturn position on the 2017/18 revenue budget;
- note the transfer to earmarked reserves of £200k in respect of PPE and £152k in respect of Apprentices;
- agree the proposed drawdown of £17k from the DFM Reserve;
- agree the proposed transfer of £10k to the General Reserve;
- agree the proposed transfer of £113k from DFM Reserve to other Earmarked Reserves (innovations reserve), and the resultant level of DFM reserve, £297k.

The Revenue Outturn Position

The annual budget for the year has been amended to reflect a slight increase in the overall business rates being retained (comprising Section 31 grant from the Government and local rates paid over by billing authorities). This has resulted in an additional £35k of income being received in 2017/18, and as a result the overall revenue budget has increased to £53.968m.

After allowing for net transfer from earmarked reserves of £50k the final outturn position shows net expenditure of £53.975m, giving a total overspend for the financial year of £7k.

The final position within individual departments is largely consistent with that reported throughout the year, and specifically the forecast presented to the March Resources Committee. As previously reported, the majority of underspends during 2017/18 have already been reflected in 2018/19 budgets. The detailed final revenue position is set out in Appendix 1, with major variances being summarised below (note as reported throughout the year the variances shown relate to non-pay spend, with the variance on the pay budget being shown separately): -

Area	Overspend/ (Underspend)	Reason
	£'000	
Service Delivery	(18)	The position is consistent with previous forecasts. The budget included £200k for the partial swap out of various items of PPE (gloves, boots and helmets) with the balance of costs being met in 18/19. This amount has not been incurred, due to delays in delivery dates, and therefore the outturn position reflects the proposed transfer to earmarked reserves in order to meet these costs in 18/19.
Human Resources	(94)	The majority of the underspend relates to the budget allocation for Organisational Development. Spends committed against the Organisational Development budget are an additional fixed term HR adviser, the leadership conferences and the management development programme. It is worth noting that the budget for this was reduced by £100k in 18/19 to better reflect planned expenditure.
Property	195	As reported previously the overspend relates to premises repairs and maintenance, with some of the more major areas of spend being:- • STC – refurbishment of Lecture Theatre, install air conditioning in classrooms, enhance Minerva accommodation for new Training Software, enhance Astley house to accommodate recruits course • St Anne's – new windows to fire station. • Padiham – external refurbishment of Station. • Hornby – new roof • South Shore – refurbishment of Princes trust and CFS facilities
Non DFM	471	The overspend largely relates to funding of the purchase of the water tower, as previously agreed. The penalty associated with the early repayment of loans, £635k, has been met from a drawdown of earmarked reserves as previously agreed.
Wholetime Pay	(400)	The year-end position is broadly consistent with the previous forecast and the reasons for the underspend also remain consistent:- • whole time recruits are lower than budgeted • vacancies have been higher than forecast • pension costs are lower than forecast due to the mix of staff in each FF Pension Scheme changes throughout the year as personnel

		transfer, or as personnel withdraw from the scheme As previously stated the position only allows for the interim pay award of 1% backdated to July, which is in line with the approved budget. No allowance has been made for any pay award being higher than that, hence if any agreement is reached which includes backdating the additional costs will impact on the 18/19 budget.
Control Staff	(44)	As previously reported the Service has an establishment of two Control Staff, one in the Training and Operational Review Team and one in ICT team. The underspend relates to the latter whereby the communications officer post is temporarily filled by a whole-time member of staff, whilst the substantive post holder is seconded to work for the Home Office on the national ESMCP project.
RDS Pay	130	The overspend arises following several successful recruitment campaigns, which have resulted in an overall increase of 3% in hours of cover/number of RDS staff since the beginning of the year.
Associate Trainers	130	The annual training plan is used to match planned training activity to staff available at the training centre. However it is inevitable that this will not always be possible, specifically at times when there are a large number of courses running concurrently, i.e. where Whole-time recruit's course is run. Associated trainers are used at these times to provide greater flexibility to match resource to demand. Thus avoiding the need to create a permanent establishment to meet peak demands, which would clearly be an inefficient use of resources.
Support staff (including agency staff)	(161)	The underspend relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. The majority of these vacancies have now been filled, although ICT and Knowledge Management remain problem areas. Note agency staff costs to date of £128k are replacing vacant support staff roles, this still only accounts for 2% of total support staff costs. As previously highlighted the budget included a sum of £180k to allow for the recruitment of apprentices in the second half of the year. This recruitment has been delayed whilst an appropriate mechanism is identified, meaning that £152k of the funding has not been utilised in the current year. The outturn position reflects the proposed transfer to earmarked reserve to meet on-going costs in future years.

Apprentice Levy	(23)	The apprentice levy is payable at 0.5% of each months payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflects the various pay budget underspends reported above.

Delivery against savings targets

The following table sets out the target level of efficiencies required in 2016/17 and performance against this target: -

	Target	Savings Delivered
	£m	£m
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	0.777	1.153
Reduction in service delivery non pay budgets including the smoke detector budgets	0.222	0.280
Reduction in Property repairs and maintenance and utilities budgets	0.215	0.010
Reduction in Fleet repairs and maintenance and fuel budgets (although these budgets are underspent, they are offset by overspends on other budget headings as reported above)	0.066	0.066
Reduction in insurance Aggregate Stop Loss	0.050	0.153
Reduction in capital financing charges	0.040	0.040
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	0.104
Balance – cash limiting previously underspent non pay budgets	0.180	0.180
Total	1.550	1.986

Performance exceeded the efficiency target, largely as a result of staffing savings made and Procurement savings in respect of contracts let during the year, which have been reported during the course of the year. The shortfall on property is due to specific additional property works undertaken in year, as highlighted earlier.

Impact of the Revenue Outturn Position on Reserves

Any under/over spend on the revenue budget is allocated to the DFM reserve, held within earmarked reserves, as set out below, with any remaining balance either being a contribution to, or a drawdown from, the General Reserve.

The DFM reserve enables budget holders to carry forward any surplus or deficit from one financial year to the next, giving greater flexibility in managing budgets thereby optimising the use of available financial resources and facilitating better value for money. The principles being that any overspends and 50% of any underspends are carried forward into the new financial year, subject to a £25k maximum, other than where a specific business case could be made. The remaining 50% of any underspend is transferred to the authority's general reserve.

As a result of the above £17k was drawn down from the DFM reserve, leaving a balance of £10k to transfer to the General Reserve (see appendix 1 for details).

A further review of the levels of individual DFM reserves is then undertaken, to ensure that they are reasonable and that budget holders are not building up excessive reserves. The latest such review has identified a reduction of £113k (see appendix 2 for details), with this amount contributing to the creation of an innovations reserve (as reported in the Year End Usable Reserves Outturn 2017/18 reported elsewhere on this agenda).

Financial Implications

As outlined in the report

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

<table>
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</table>

Appendix 1

	Total Budget	Budgeted Spend to Mar 2018	Actual Spend to Mar 2018	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Net DFM Transfer	Net General Reserve Transfer
	£	£	£	£	£	£		
Service Delivery								
Service Delivery	30,843	30,843	30,568	(275)	(257)	(18)	-	(275)
Training & Operational Review	3,457	3,457	3,570	113	39	74	-	113
Control	1,148	1,148	1,148	(0)	-	(0)	-	(0)
Prince's Trust Volunteers Scheme	-	-	(50)	(50)	-	(50)	(25)	(25)
Special Projects	12	12	8	(4)	-	(4)	-	(4)
Strategy & Planning								-
Fleet & Technical Services	2,394	2,394	2,394	(0)	(7)	7	-	(0)
Information Technology	2,379	2,379	2,194	(185)	(116)	(69)	(25)	(160)
Service Development	3,786	3,786	3,786	1	(10)	11	1	-
People & Development								-
Human Resources	660	660	554	(107)	(13)	(94)	-	(107)
Occupational Health Unit	199	199	187	(12)	16	(28)	(2)	(10)
Corporate Communications	294	294	232	(62)	(28)	(34)	-	(62)
Safety Health & Environment	202	202	193	(9)	2	(11)	-	(9)
Corporate Services								-
Executive Board	978	978	1,001	23	23	0	23	-
Central Admin Office	750	750	771	20	23	(3)	20	-
Finance	142	142	141	(1)	(3)	2	(1)	-
Procurement	790	790	769	(22)	(7)	(15)	-	(22)
Property	1,271	1,271	1,429	158	(37)	195	25	133
External Funding	-	-	(0)	(0)	18	(18)	(0)	-
TOTAL DFM EXPENDITURE	49,306	49,306	48,895	(411)	(357)	(54)	17	(428)
Pensions Expenditure	1,172	1,172	1,138	(35)	-	(35)		(35)
Other Non-DFM Expenditure	3,490	3,490	3,942	452	(19)	471		452
NON-DFM EXPENDITURE	4,662	4,662	5,080	418	(19)	437	-	418
TOTAL BUDGET	53,968	53,968	53,975	7	(376)	383	17	(10)

Appendix 2

	DFM B/Fwd	Net DFM Transfer	DFM C/Fwd	Tfr DFM Res to Earmarked Res	Final DFM Reserve
Service Delivery					
Service Delivery	(156)	-	(156)	56	(100)
Training & Operational Review	-	-	-	-	-
Control	-	-	-	-	-
Prince's Trust Volunteers Scheme	-	(25)	(25)	-	(25)
Special Projects	-	-	-	-	-
Strategy & Planning		-	-		-
Fleet & Technical Services	(25)	-	(25)	-	(25)
Information Technology	-	(25)	(25)	-	(25)
Service Development	(25)	1	(24)	-	(24)
People & Development	-	-	-	-	-
Human Resources	(25)	-	(25)	15	(10)
Occupational Health Unit	(23)	(2)	(25)	15	(10)
Corporate Communications	(25)	-	(25)	-	(25)
Safety Health & Environment	(25)	-	(25)	20	(5)
Corporate Services	-	-	-	-	-
Executive Board	(25)	23	(2)	-	(2)
Central Admin Office	(25)	20	(5)	-	(5)
Finance	(11)	(1)	(11)	6	(5)
Procurement	(25)	-	(25)	-	(25)
Property	(25)	25	-	-	-
External Funding	(11)	(0)	(12)	-	(12)
TOTAL DFM EXPENDITURE	(426)	17	(410)	113	(297)
Pensions Expenditure			-		-
Other Non-DFM Expenditure			-		-
NON-DFM EXPENDITURE	-	-	-	-	-
TOTAL BUDGET	(426)	17	(410)	113	(297)

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

YEAR END USABLE RESERVES AND PROVISIONS OUTTURN 2017/18

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the year end outturn position in respect of usable reserves and provisions. It is based on the information reported in the Revenue Outturn, Capital Outturn and Treasury Management Outturn reports.

Recommendation

The Resources Committee is asked to:-

- note the net drawdown of £50k of earmarked reserves and the additional £12k of provisions, contributing to the overall revenue outturn position;
- agree the year end transfers associated with the revenue outturn, £10k to the general reserve and a drawdown of £17k from the DFM reserve;
- agree the following transfers between reserves:-
  - general reserve, transfer of £28k to earmarked reserves and £2,600k to capital funding reserve;
  - Provisions, transfer of £691k to earmarked reserves;
- agree the year end transfers associated with the capital outturn, £224k drawdown from earmarked reserves and £2.921m from capital reserves and the transfer of £0.926m of unused revenue contributions to capital reserves;
- note £81k of capital receipts;
- note and endorse the overall level of reserves and provisions as set out in the report.

Information

The Authority approves reserves and balances policy as part of its budget setting process, in February, with the year-end outturn position being reported to Resources committee and included in the statement of accounts.

The previously reported Revenue Outturn, Capital Outturn and Treasury Management Outturn all feed the Authorities overall reserves position, which is summarised over the page:-

	General Reserve	Earmarked Reserves	Capital Reserves	Total Usable Reserves	Provisions	Total
	£m	£m	£m	£m	£m	£m
Balances at 31/3/17	10.446	7.455	18.639	36.540	1.763	38.303
Revenue Adjustments						
• Utilised/Provided for In-Year	-	(0.050)	-	(0.050)	0.012	(0.038)
• Revenue Outturn	0.010	(0.017)	-	(0.007)	-	(0.007)
• Specific transfers to/(from) Earmarked Reserves	(2.628)	0.719	2.600	0.691	(0.691)	-
	(2.618)	0.652	2.600	0.634	(0.679)	(0.045)
Capital Adjustments						
• Capital Outturn	-	(0.224)	(2.921)	(3.145)	-	(3.145)
• Capital Receipts	-	-	0.081	0.081	-	0.081
• Unused Revenue Contributions	-	-	0.926	0.926	-	0.926
	-	(0.224)	(1.912)	(2.136)	-	(2.136)
Balances at 31/3/18	7.828	7.884	19.326	35.038	1.084	36.121

General Reserve

These are non-specific reserves which are kept to meet short/medium term unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed in the medium term.

The Authority needs to hold an adequate level of general reserves in order to provide:-

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events;
- A means of smoothing out large fluctuations in spending requirements and/or funding available.

As a precepting Authority any surpluses or deficits are transferred into/out of reserves in order to meet future potential commitments, and as such the balance of the surplus on the revenue budget, £10k, has been transferred into this reserve.

As agreed as part of the budget setting process a further £2.6m of general fund has been used to fund the capital programme in 2017/18, with a further £28k being transferred to earmarked reserves to meet requirements.

After allowing for transfers the Authority now holds a General fund balance of £7.8m. This is within the target range agreed by the Authority at its February meeting, £2.5m to £10.0m.

Earmarked Reserves

The reserve covers all funds, which have been identified for a specific purpose. The overall reserves level increased slightly from £7.5m to £7.9m, with the detailed position in respect of the various earmarked reserves set out below:-

	Balance at 31 March 2017	Transfer 2017/18	Balance at 31 March 2018	
	£m	£m	£m	
Devolved Financial Management	0.426	(0.129)	0.297	This reserve enables budget holders to carry forward any surplus or deficit from one financial year to the next, giving greater flexibility in managing budgets thereby optimising the use of available financial resources and facilitating better value for money. The principles being that any overspends and 50% of any underspends are carried forward into the new financial year, subject to a £25k maximum, other than where a specific business case could be made. The remaining 50% of any underspend is transferred to the authority's general reserve. The levels of individual DFM reserves are reviewed each year as part of the revenue outturn/annual accounts process, to ensure that they are reasonable and that budget holders are not building up excessive reserves. The latest such review has identified a reduction of £0.1m in 2017/18.
PFI Equalisation Reserve	3.537	0.790	4.327	This is used to smooth out the annual net cost to the Authority of both PFI schemes, and will be required to meet future contract payments. The level of reserve required to meet future contract payments has been updated to reflect current and forecast inflation levels, which are higher than previously allowed. This results in an increase of £0.7m in 2017/18, giving a revised balance of £3.5m.
PWLB Loan repayment penalty	1.000	(0.223)	0.877	This reserve was created to meet the potential penalty costs associated with repayment of the remaining PWLB loans. £0.6m was used to meet the penalty costs associated with the early repayment of £3.2m of loans, as agreed at Resources Committee.

				The Authority still has £2.0m of long term loans, incurring £0.1m of interest charges per annum. We continue to review opportunities to repay these, hence saving any interest payments, however based on the current penalty associated with this, £0.9m, it is not considered prudent to do so at the present time. Members agreed this position in December 2017 but wished to review this in light of any further development relating to the potential relocation of Service Headquarters. As such the reserve has been topped up in order to provide sufficient scope to meet any penalty costs should the Authority decide to repay these loans.
Insurance Aggregate Stop Loss (ASL)	1.500	(0.430)	1.070	The Authority has aggregate stop losses (ASLs) on both its combined liability insurance policy (£0.4m) and its motor policy (£0.3m). This means that in any one year the Authority's maximum liability for insurance claims is capped at the ASL. As such the Authority can either meet these costs direct from its revenue budget or can set up an earmarked reserve to meet these. Within Lancashire we have chosen to meet the potential costs through a combination of the two. Hence the amount included in the revenue budget reflects charges in a typical year, with the reserve being set up to cover any excess over and above this. As such the reserve, combined with amounts within the revenue budget, provides sufficient cover to meet 2 years' worth of the maximum possible claims, i.e. the ASL (previously this allowed for 3 years' worth of cover but given our excellent claims history we have adjusted this downwards). It is worth noting that the revenue budget allocation has also been reduced in recent years reflecting the claims history. Without holding this reserve to cushion any major claims that may arise this would not have been possible.
Fleet & Equipment	0.090	0.260	0.350	This reserve has been increased to meet the cost of replacement projects which have not been completed in 17/18 relating to:- • fuel tanks • helmets and gloves • fire boats

				• gas detectors We anticipate utilising all of this reserve in 2018/19
Princes Trust	0.172	0.017	0.189	This reserve has been established to balance short term funding timing differences and also to mitigate the risk of loss of funding and enable short term continuation of team activities, whilst alternative funding is found. The reserve is equivalent to 25% of the Teams current external funding target. Without this reserve any significant loss of funding would have an immediate impact on our ability to deliver the PT programme, and hence improve the lives of younger people.
Apprentices/ Graduates	-	0.152	0.152	This reserve was created from the in-year underspend relating to the appointment of apprentices, which was delayed awaiting national developments. As such the reserve has been set up to offset some of the pay costs that will be incurred in 2018/19, with the balance being met direct from the revenue budget. The flexibility this creates contributes to addressing apprenticeship targets, set by the Government, as well as addressing capacity issues within departments.
ESMCP Ringfenced Funding	0.049	0.045	0.094	As part of the Emergency Services Mobile Communication Programme (ESMCP), transitional funding was made available to fund costs associated with the transition to the new national arrangements, with any funds not spent being carried forwards for use in future years.
Innovation Fund (incorporating non-specific ICT & Equipment reserves)	0.121	0.379	0.500	The Authority previously created a Future Fire Fighting capital budget which has been used to meet costs arising from innovation within the sector, most notably the introduction of Technical Rescue Jackets. This capital budget will have been fully utilised in 2017/18. Given the fact that current replacement priorities are already included in the revenue budget we have not built any allowance into the capital programme for a continuation of this. However it is inevitable that developments will occur and we will continue to evaluate these with a view to introducing those that improve service delivery or fire fighter safety.

				As such it was agreed to establish an innovation fund to cover any such developments, with any requests to utilise the fund requiring the approval of the Executive Board.
Training Centre (including bequest)	0.102	(0.074)	0.028	This reserve has been utilised to fund site improvement works in 2017/18, with the balance being utilised in 2018/19.
New Dimensions	0.384	(0.384)	-	All costs associated with the provision of New Dimension Services are now included in the base revenue budget, with any new equipment being met from this or the Innovations Reserve, hence this reserve is no longer required
Youth Engagement Scheme	0.075	(0.075)	-	As the Fire Cadets programme has been established as an on-going activity, and hence included in the agreed revenue budget, the reserve is no longer required
	7.456	0.428	7.884	

Capital Reserves and Receipts

Capital Reserves have been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years; as such they cannot be used to offset any deficit on the revenue budget, without having a significant impact on the level of capital programme that the Authority can support.

Capital Grant had been previously received in relation to Lancaster Fire Station rebuild, this has been fully utilised within the year.

Capital Receipts are generated from the sale of surplus assets, which have not yet been utilised to fund the capital programme.

In 2017/18 we utilised £2.9m of capital reserves. However this use of reserves was more than offset by the agreed transfer from general reserves of £2.6m, the transfer in of unused revenue contributions of £0.9m and the sale of assets, which generated £81k of capital receipts.

As a result of this the Authority currently holds £19.3m of capital reserves/receipts.

	Capital Reserves	Capital Grant	Capital Receipts	Total
Balance at 31 March 2017	16.633	0.505	1.501	18.639
Transfer from General Reserve	2.600	-	-	2.600
Capital receipts	-	-	0.081	0.081
Capital expenditure	(2.416)	(0.505)	-	(2.921)
Transfer Unused Revenue Contributions	0.926	-	-	0.926
Balance at 31 March 2018	17.745	-	1.582	19.327

However the 18/19 capital programme, after allowing for slippage, shows £17.9m of this being utilised over the latest 5 year capital programme, leaving a balance of approx. £1.4m at the end of 2022/23.

Provisions

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

- Insurance Provision, which covers potential liabilities associated with outstanding insurance claims. A fundamental review of current claims outstanding and our claims history has been undertaken and as such the provision has been reduced to £434k at 31 March 2018. (This reduction has been used to offset the change in earmarked reserves, and in particular the creation of the Innovation Reserve and the increase in the PFI Reserve.)
- RDS Provision, which covers potential costs associated with RDS personnel relating to employment terms and eligibility to join the Pensions Scheme.
- Business Rates Collection Fund Appeals Provision, which covers the Authority's share of outstanding appeals against business rates collection funds, which is 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. The change in this reflecting the latest estimates provided by billing Authorities.

	Insurance Provision	RDS Provision	Business Rates Collection Fund Appeals Provision	Total
Balance at 31 March 2017	1.129	0.021	0.613	1.763
Additional provision/(Utilised in year)	(0.004)	0.001	0.015	0.012
Review of requirement	(0.691)	-	-	(0.691)
Balance at 31 March 2018	0.434	0.022	0.628	1.084

Summary

The overall position at year end is broadly in line with those identified in the Reserves and Balances Policy, agreed in February, at £36.1m. At this level the Treasurer believes these are adequate to meet future requirements in the medium term.

Future forecasts have been updated and are set out below:-

	General Reserve	Earmarked Reserves	Capital Reserves	Total Usable Reserves	Provisions	Total
	£m	£m	£m	£m	£m	£m
Balance 31/3/17	10.4	7.5	18.6	36.5	1.8	38.3
Change in year	(2.6)	0.4	0.7	(1.5)	(0.7)	(2.2)
Balance 31/3/18	7.8	7.9	19.3	35.0	1.1	36.1
Change in year	0.0	(0.2)	(13.6)	(13.8)	0.0	(13.8)

Balance 31/3/19	7.8	7.7	5.7	21.2	1.1	22.3
Change in year	(1.1)	(0.2)	(3.2)	(4.5)	0.0	(4.5)
Balance 31/3/20	6.7	7.5	2.5	16.7	1.1	17.8
Change in year	(1.7)	(0.1)	(1.9)	(3.7)	0.0	(3.7)
Balance 31/3/21	5.0	7.5	0.6	13.0	1.1	14.1
Change in year	(2.3)	(0.1)	(0.0)	(2.4)	0.0	(2.4)
Balance 31/3/22	2.7	7.4	0.5	10.6	1.1	11.7
Change in year	(2.6)	(0.1)	0.9	(1.8)	0.0	(1.8)
Balance 31/3/23	0.2	7.3	1.4	8.8	1.1	9.9

Financial Implications

As outlined in the report

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	*Date*	Contact
Reason for inclusion in Part II, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

Core Financial Statement 2017/18
(Appendices 1, 2, 3, 4 and 5 refer)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the Core Financial Statements, which form part of the Statement of Accounts, for the Combined Fire Authority for the financial year ended 31 March 2018.

Recommendation

The Committee is asked note and endorse the Core Financial Statements.

Information

The Combined Fire Authority's Core Financial Statements, which form part of the Statement of Accounts, are attached as Appendix 1. The Statements takes account of the information presented in the Year End Revenue Outturn, Year End Capital Outturn, Year End Treasury Management Outturn and Year End Usable Reserves and Provisions Outturn reports. However it must be borne in mind that they are prepared in line with recommended accounting practice and this is not accounted for on the same basis as we account for council tax. As such this means they do not match the details in the Outturn reports, and hence the following sections provide an overview of each statement and a reconciliation between Outturn reports and the Core Financial statements where appropriate.

Narrative Report

This sets out the financial context in which the Combined Fire Authority operates, and provides an overview of the financial year 2017/18 as well as details of future plans.

Comprehensive Income & Expenditure Account

This statement shows the accounting cost in the year of providing services. It is a summary of the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The main points to note are: -

	2017/18	2016/17	
Service Delivery	27,009	22,775	The cost of Service Delivery shows an increase when compared with the previous year, costs have increased reflecting investment made into RDS pay, Retained Support Officers and Trainers, however the majority of the increase is attributable to changes associated with the adjustment required in respect of pension liabilities under IAS 19.
Strategy & Planning	7,483	6,618	The cost of Strategy & Planning shows an increase when compared with the previous year, with the majority of this also relating to the adjustment required in respect of pension liabilities under IAS 19.
People & Development	1,303	1,123	The cost of People & Development is broadly comparable with last year, with the marginal increase predominantly being due to the adjustment required in respect of pension liabilities under IAS 19.
Corporate Services	4,165	3,162	The cost of Corporate Services shows an increase compared with the previous year, reflecting the transfer of administrative staff from Service Delivery to Corporate Services, the overspend within the Property Department, and adjustment required in respect of pension liabilities under IAS 19.
Fire Fighters Pensions	1,138	1,228	These costs are the ongoing pension's costs relating to previous ill health or injury retirements, which have remained at a similar level to the previous year.
Overheads	4,621	6,953	This heading includes all capital financing charges, previous payments made in respect of the LGPS deficit, and depreciation and impairment charges made in respect of assets. The reduction in Overheads is largely attributable to the previous impairment of Lancaster Fire Station, undertaken in 2016/17
Gain On Disposals Of Fixed Assets	(13)	-	This relates to the sale of surplus land at Penwortham and vehicles
Interest Payable	1,576	1,674	The level of interest payable in respect of current loans has fallen reflecting the early repayments as shown in the Year End Treasury Management Outturn report. In addition to this interest charges associated with the PFI scheme and finance leases totalled £1.4m, in line with the previous years charges.
Pension Interest Cost And Expected Return On Assets	20,983	23,275	This relates to adjustments required under IAS 19 requirements, and is designed to show the expected increase in costs of the scheme less the expected increase in asset values. As the Fire-fighters pensions' scheme is unfunded there is no increase in asset value to offset the increase in scheme costs is resulting in a £21.0m charge to the Income and Expenditure Account.
Interest Receivable	(266)	(304)	The level of interest earned on investments has reduced as a 3 year fixed rate investment matured in July, and the interest rates available for re-investment were lower than those achieved 3 years ago.
Council Tax	(28,233)	(27,506)	Amounts raised through council tax, including the Authority's element of council tax collection fund surplus accumulated during the preceding year by the billing authorities. This amount reflects the total amount due, rather than simply the amount of cash received in year.

Revenue Support Grant	(10,659)	(13,218)	The level of Revenue Support Grant allocated to the Authority by the Government, the reduction reflecting the cut in Government funding
Non-Domestic Rates Redistribution	(14,605)	(15,050)	Amounts raised through non domestic rates, including the Authority's element of business rates collection fund surplus accumulated during the preceding year by the billing authorities, in addition to top up grant receivable from the Government as part of the localisation of business rates. This amount reflects the total amount due, rather than simply the amount of cash received in year.
Business rates S31 grant	(511)	(447)	This grant is allocated to the Authority by the Government, and relates to small business rates reliefs allowed by the Government as part of the localisation of business rates.
Deficit On The Provision Of Services	**13,992**	**10,281**	The overall deficit shows that expenditure incurred exceeded income generated over the last twelve months, and is measured in terms of the resources consumed and generated. However, this includes a number of accounting entries which do not impact on council tax levels, most notably those relating to the pensions schemes. As such this does not show the actual surplus when comparing spend against council tax.
(Surplus)/Deficit On Revaluation Of Non-Current Assets	(5,167)	(9,871)	This is a notional change in the value of fixed (non-current) assets, based on changes in market conditions etc. No actual change in value will be achieved until such time as the asset is disposed of.
Actuarial (Gains)/ Losses On Pensions Assets And Liabilities	(10,628)	114,465	This is a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities are calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets etc.
Total Comprehensive Income And Expenditure	**(1,803)**	**114,875**	This shows the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

In order to aid understanding the following table shows the comparison between the revenue budget position, as set out in the Year End Revenue Outturn report, and the Total Comprehensive Income and Expenditure figure set out above:-

	£m
Revenue Outturn	0.007
Earmarked reserves utilised/provided for in year	0.050
Transfer from Provisions	(0.691)
Accounting for pensions under IAS19	13.138
Revenue Contributions to Capital Outlay	(2.421)
Adjustments between accounting basis and funding basis under regulations	3.908
Deficit on the provision of services	**13.992**
Surplus on revaluation of non-current assets	(5.167)
Actuarial loss on pensions assets and liabilities	(10.628)
Total Comprehensive Income and Expenditure	**(1.803)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into:-

- Usable Reserves - those that the Authority may use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use
- Unusable Reserves – those include reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences 'between accounting basis and funding basis under regulations'.

The main points in respect of are:-

	Usable Reserves	Unusable Reserves	Total Reserves	
Balance at 1 April	36,540	(723,390)	(686,850)	
Deficit on the provision of service	(13,992)	-	(13,992)	This shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. As set out earlier it is not accounted for on the same basis as we account for council tax and hence does not tie in to the actual revenue position set out in the Year End Revenue Outturn report.
Other Comprehensive Income And Expenditure	-	15,795	15,795	This relates to the surplus on revaluation of non-current assets and the actuarial loss on pensions assets and liabilities
Charges for depreciation and impairment of non-current assets	4,264	(4,264)	-	This shows the costs charged to the revenue budget for the utilisation of fixed assets in the year
Amortisation of intangible assets	122	(122)	-	This shows the costs charged to the revenue budget for the utilisation of intangible assets (Software) in the year
Disposal of assets	21	(21)	-	The relates to the revaluation profit on disposal of fixed assets.
Capital grants applied	(505)	505	-	This shows the level of capital grants that have been utilised in the year, these were received from the Government, shown in the Year End Capital Outturn report
Amount by which the Code and the statutory pension costs differ	13,138	(13,138)	-	This shows the difference between the change in pension liability from one year to the next and the level of employer pension contributions and retirement benefits allowed for in the revenue budget/council tax calculation.
Amount by which collection fund income in the comprehensive	(39)	39	-	This shows the difference in value between the amount due to be raised from council tax and business rates, as

income and expenditure statement is different from collection fund income calculated for the year in accordance with statutory requirements				agreed as part of the budget setting process, and the amount collection authorities have actually collected on our behalf in the year, i.e. the difference between the assumed collection rate and the actual collection rate, the surplus in 2017/18 reflecting the fact that authorities have collected more than anticipated.
Provision for the repayment of debt	(388)	388	-	This is the charge made against the revenue budget to reduce future borrowing requirements, and includes an element relating to debt associated with POFI and finance leases
Capital expenditure charged against General Fund Balance	(1,493)	1,493	-	This is the level of capital expenditure which has been funded from contributions from the 2017/18 revenue budget, as agreed as part of the budget setting process and as shown in the Year End Capital Outturn report.
Net increase/decrease before transfers to earmarked reserves	1,129	675	1,803	This shows the Usable Reserves Balance change in year before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.
Transfers (to)/from earmarked reserves	(224)	224	-	These represents the transfers to specific earmarked reserves referred to in the Year End Usable Reserves and Provisions Outturn report.
Transfers (to)/from capital funding reserves	(2,416)	2,416	-	These represents the transfers from the capital funding reserve referred to in the Year End Capital Outturn report and the Year End Usable Reserves and Provisions report.
Amount by which remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	(9)	-	This represents the movements on the Accumulated Absences Adjustment Account, which reflects the increase in the amount of leave owing to staff as at year end.
Increase/Decrease in the year	(1,502)	3,305	1,803	This is the net change to reserves, comprising the Surplus/Deficit on provision of services, less any adjustments for items which don't affect council tax and any transfers to/from earmarked reserves and ties into the overall change in Usable reserves included in the Year End Usable Reserves and Provisions Outturn report
Balance at 31 March	**35,038**	**(720,085)**	**(685,047)**	These are the final reserve balances which are reflected in the balance sheet in the statement of accounts, and which tie in to the values shown in the Year End Usable Reserves and Provisions Outturn report.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

The main points to note are: -

	2017/18	2016/17	
Long Term Assets			
Property, Plant & Equipment	93,764	88,223	The value of property, plant & equipment has increased by £5.5m, due to the level of capital expenditure (£4.6m as shown in the Year End Capital Outturn report) and the net revaluation gains of £4.5m compared with depreciation charges of £3.6m.
Intangible assets	106	228	Intangible assets are assets which do not have a physical form, such as software, the reduction in value reflecting the level of amortisation of these assets, representing their usage in year.
Long Term Investments	5,000	5,000	The Authority holds one investment with Local Government bodies which is classed as long term investments, ie over 3 months in duration, as shown in the Year End Treasury Management Outturn report. .
Current Assets			
Assets Held for Sale	-	21	The surplus plot of land at Penwortham was sold in the 2017.
Inventories	228	207	The value of stock held has remained broadly in line with last year.
Short-Term Investments	-	5,000	Last year's short term investment matured in 2017.
Short-Term Debtors	10,465	10,746	Debtors represent monies owed to the Authority on 31st March 2018. In order to improve cash flow this figure should be as low as possible, however it is inevitable that there will always be a balance on this due to the timing of invoices and the debt recovery process. The level of debtors at the year-end has remained consistent, with the main debt reacting to Council Tax, Business Rates (which represent our share of debts that billing authorities hold) and amounts owed to the Authority by the FF pension fund in the form of top up grant due during July 2018.
Cash & Cash Equivalents	28,604	29,061	This represents the cash book balance at the year end, which is held in a call account by Lancashire County Council (LCC) as shown in the Year End Treasury Management Outturn report.
Current Liabilities			
Short-Term Borrowing	-	(333)	Following the repayment of debt in year the Authority does not hold any short term borrowing, i.e. debt repayable within the next 12 months
Other Short-Term Liabilities	(329)	(335)	This relates to short term liabilities in respect of the Authorities PFI contracts with PFF Lancashire Ltd and Balfour Beatty Fire and Rescue NW Ltd and in addition the short term element of finance leases.
Short-Term	(6,311)	(6,376)	This figure represents the amount of money we owe to

Creditors			other bodies at 31st March 201. The overall balance is broadly in line with last year.
Long Term Liabilities			
Provisions	(1,084)	(1,763)	This shows the outstanding provisions, relating to the potential cost of outstanding insurance claims, which will have to be met by the Authority in future years, the remaining balance of the potential costs associated with Retained Fire-fighters' claims (under the Part-Time Workers (prevention of less favourable treatment) Regulations 2000) concerning employment terms, and also the Authorities share of billing authorities business rates outstanding appeals. The reduction relates to the Insurance Provision, which has been reduced reflecting our excellent claims history
Long-Term Borrowing	(2,022)	(5,243)	This represents the amount of long term debt that the Authority holds which does not mature within the next 12 months. As referred to in the Year End Treasury Management Outturn report the Authority paid off £3.2m of long term debt leaving balance of £2.0m which is due to mature between 2035-2037.
Other Long-Term Liabilities	(813,466)	(811,285)	This majority of this relates to adjustments required under IAS 19, and shows the extent to which the authorities liability to pay pension benefits in the future exceeds the value of assets held. This is particularly significant for the Fire Authority due to the unfunded nature of the fire-fighters pension scheme, resulting in a net liability of £799m. This also includes liabilities covering the remainder of the contract associated with the two PFI contracts; • PFF Lancashire Ltd for the provision of two fire stations, • Balfour Beatty Fire and Rescue for the provision of four fire stations within Lancashire, as part of the joint contract to provide sixteen stations across Lancashire, Cumbria and Merseyside. In addition, this also includes liabilities relating to an outstanding finance lease.
Total Assets Less Liabilities	**(685,046)**	**(686,850)**	

Financed By			
Usable Reserves:			
Revenue Reserves	(15,712)	(17,902)	This is the level of reserves, £15.7m, that the Authority currently holds which can be utilised to offset future revenue expenditure, subject to the need to maintaining a prudent level of reserves and any statutory limitations on their use. It includes the general reserves as well as any earmarked reserves. The reduction in year represents the transfer of £2.6m to the capital funding reserve in order to meet current and future year's capital costs, as referred to in the Year End Usable Reserves and Provisions Outturn report.
Capital Funding Reserve	(17,745)	(16,633)	This reserve holds £17.7m of balances to fund future capital expenditure, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Capital Grant	-	(505)	The capital grant received in 2015/16, has been fully

Unapplied			utilised on the rebuild of Lancaster Fire and Ambulance Station as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Usable Capital Receipts Reserve	(1,581)	(1,501)	This represents the proceeds from the sale of fixed assets which are used to finance capital investment. To class as capital receipts the value of the sale must exceed £10,000. The increase in value representing the sale proceeds from the surplus land at Penwortham and vehicles, as referred to in the Year End Capital Outturn and Usable Reserves and Provisions Outturn reports.
Unusable Reserves:			
Revaluation Reserve	(40,862)	(36,957)	This account holds unrealised revaluation gains, or losses, from holding fixed assets, as such any revaluations that have taken place since 1 April 2007 are reflected in this reserve. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Capital Adjustment Account	(38,641)	(36,762)	The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to spend.
Collection Fund Adjustment Account	(704)	(664)	This account reflects the net effect of the adjustments required to show our share of each billing authority's council tax and business rates debtors and creditors at year end, in our case this shows a surplus of £704k
Accumulated Absences Adjustment Account	813	804	This account represents the value of leave accrued at the year end, but which has not yet been taken, and hence has been carried forward into the new financial year. However given that the leave year for Fire Fighters runs from January to December leave entitlement is calculated on a pro-rata basis which can distort the overall position.
Pensions Reserve	799,479	796,969	This relates to adjustments required under IAS 19, and is a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes.
	(685,046)	**(686,850)**	

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The main points to note are:-

	2017/18	2016/17	
Cash and cash equivalents at 1 April	29,061	28,562	This shows the net cash immediately available within the Authority.
Net Cash Flows Arising From Operating	4,714	5,750	This shows the level of net cash generated by revenue activities, i.e. the level of income received in the form of grant, council tax etc, offset by payments made in

Activities			respect of employee costs and non pay costs etc.
Investing Activities	232	(3,081)	This shows the cash outflows which have been made for resources that are intended to contribute to the Authority's future service delivery, such as £4.6m of expenditure on capital assets. This is offset by the decrease in short term deposits
Financing Activities	(5,402)	(2,170)	The majority of this relates to the repayment of long term debt, including that associated with PFI and finance leases
Cash and cash equivalents at 31 March	**28,605**	**29,061**	This shows the net cash immediately available within the Authority in a call account with LCC. This shows a marginal reduction, reflecting the level of capital investment and the repayment of debt undertaken in year, and ties in to the figure included in the Treasury Management Outturn report

Signing of the Statement of Accounts

The unaudited Statement of Accounts will be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2018.

This will be subject to review by the Authority's external auditors, Grant Thornton, which is scheduled to take place in June and July. A further report will be presented to the Audit Committee in July, following completion of the external audit. At this meeting the Chair of the Audit Committee will be asked to sign the final statement of accounts, as well as the Treasurer. Following which a final audited set of accounts will be presented to the Resources Committee for information.

Financial Implications

As outlined in the report

Business Risk Implications

The Statement of Accounts sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	*Date*	Contact
SORP and Guidance	February 2018	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	May 2018	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

Appendix 1

Narrative Report

Review of the Year

We have remained financially secure and are in a strong position not only to face future challenges but to lead innovation and improvements in our sector. We have continued to invest in people, training and equipment; prioritised operational effectiveness and efficiency to meet the challenges of an increasingly complex environment; embedded clear values and strong leadership throughout the organisation; and looked for new ways to collaborate to improve services for local people.

We have continued to invest in our Retained Duty System personnel, implement an enhanced pay scheme, embedding the Retained Support Officer role and providing greater training opportunities for personnel in development. All of these activities are designed to improve our recruitment, retention and competency within this element of the Service

2017/18 saw our first significant external recruitment campaign for whole-time firefighters in over 10 years. As a result of this the Authority recruited 49 new whole-time firefighters in 2017/18, of which 10% were female and 10% were from a BME background.

Our Operational Assurance Team is now fully embedded in the Service, focusing on reviewing preparedness, response and learning, in order to enhance service delivery.

Training facilities have been improved with the completion of a Multi Compartment Fire-Fighting prop at our Training Centre, which has enhanced our ability to replicate and train against national learning and a wide range of scenarios.

We have continued to invest in providing the best operational equipment, introducing a new type of vehicle, the AT Stinger (the first of its kind in the UK), which has increased capability to deal with fires in roof spaces more effectively, as well as providing a safer operational environmental at incidents. We have also replaced our Thermal Imaging Cameras with new state of the art cameras, improving search facilities as well as firefighter safety.

We undertook an Emergency Cover Review, to ensure that our emergency response provision matches fire risk in Lancashire. The review confirmed that we are able to respond safely and effectively and that no changes to staffing or fire stations were required.

We launched a Leadership conference in April, with a second one taking place mid-year, and with further conferences planned for the new financial year. This has enabled us to focus more clearly on developing a strong organisational culture based on clear values and leadership.

We have continued to develop collaborative opportunities, signing a Statement of Intent and establishing a joint collaboration group with the Constabulary to explore further opportunities. The joint Fire and Ambulance station at Lancaster is nearing completion, and we are continuing to review further opportunities for site sharing with both NWAS and Lancashire Constabulary.

The Safe and Well visit has now been fully incorporated into our Home Fire Safety Check Service. All our visits to householders now have additional checks, supplementary to our primary Fire advice, to identify and mitigate risk factors that impact on health and wellbeing.
These additional strands have been subjected to and approved through a national Standard Evaluation Framework that focuses on providing best practise for Fire and Rescue

Services. Training has now been completed for all LFRS personnel who carry out these duties. The process in place now ensures that LFRS personnel can signpost those in need of assistance with health or wellbeing issues to the relevant partner agency in the respective geographical area.

Non-financial performance has remained strong. 2017/18 activity has increased by 4.5% to almost 15,900 incidents, a greater count than any of the previous 5 years. The number of accidental dwelling fires saw a 10% increase; however the overall casualty numbers decreased to the lowest level in the last 10 years to 43, a 10% reduction. Deliberate dwelling fires saw a slight decrease and is also at a 10 year low. A total of 601 gaining entry incidents were undertaken in 2017/18, an increase of 29% over the 467 recorded in 2016/17.

The 2017/18 Financial Overview

The Authority's spending is planned and controlled by an annual budget process, which leads to the setting of its budget requirement. Expenditure on the day-to-day running costs of the service is determined through the Revenue Budget and is recorded in the Comprehensive Income and Expenditure Statement.

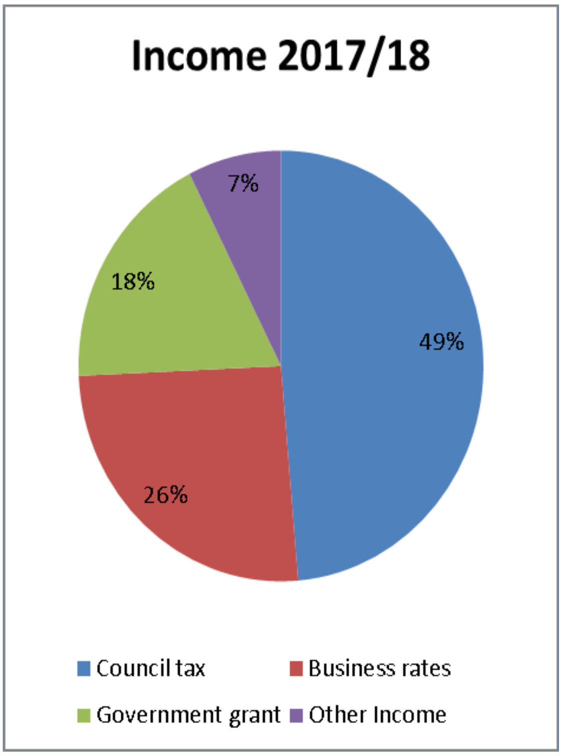
In setting its budget the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

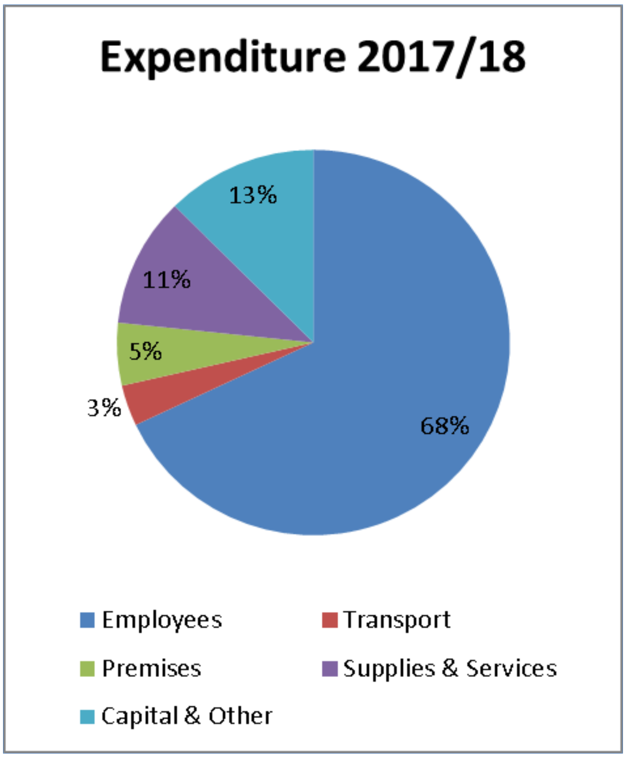
- deliver services as outlined in the Risk Management Plan and other plans
- maintain future council tax increases at reasonable levels
- continue to deliver efficiencies in line with targets
- continue to invest in improvements in service delivery and facilities
- set a robust budget that takes account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

2017/18 was the second year of the Governments four year funding settlement, and in line with this Government funding, which comprises Revenue Support Grant and a proportion of Non-Domestic Rates Redistribution, fell by £2.3m to £25.3m. The Authority had to identify efficiencies of £1.6m in order to offset financial pressures and deliver an acceptable budget. This resulted in a gross revenue budget of £53.9m, a reduction of 3%, and a council tax of £65.50, which is just under £1.26 per week. This represented a freeze on council tax, with Lancashire being the only Fire Authority in the country to achieve this. Based on this the budget was considered affordable, prudent and sustainable, whilst ensuring that the Authority was able to deliver against its corporate priorities.

The Authority maintained its process of targeting reductions in expenditure, in order to enhance its financial position to deal with on-going funding reductions, generating savings of £2.0m in year against an anticipated target of £1.6m. The net revenue position shows an underspend on pay, as a result of staffing vacancies being held pending recruitment, which was utilised to fund the procurement of a Water Tower, which the Service had initially leased on a 12 month trial. Hence the overall budget broke-even, with net expenditure matching the budget at £53.9m.

The following charts show a breakdown of where the monies we received come from and how we spent this:





A summarised comparison of the Fire Authority's expenditure for the year compared with budget is set out below:

	Budget £000	Spend £000	(Under)/ over spend £000
Expenditure			
Employees: pay costs	39,543	39,155	(388)
Other employee related costs	548	476	(72)
Premises	2,910	3,062	153
Transport	1,995	1,999	4
Supplies & services	7,566	6,350	(1,216)
Capital financing costs & other	5,507	7,262	1,755
Total Expenditure	58,068	58,305	237
Other Income	(4,100)	(4,347)	(247)
Budget requirement	53,968	53,958	(10)
Funded by:			
Council tax	(28,366)	(28,366)	(0)
Business rates	(14,943)	(14,943)	0
Government grant	(10,659)	(10,659)	-
	(53,968)	(53,968)	(0)
Net underspend	-	(10)	(10)

The Authority transferred £2.6m from the general fund balance to the capital funding reserve, in order to meet future capital commitments. As a result of this the general fund balance fell to £7.8m, still within the target level identified by the Treasurer (a minimum of £2.5m and a maximum of £10.0m). This still provides capacity to cope with anticipated funding cuts in the short term whilst appropriate efficiencies are identified, and the on-going use of reserves remains a key element of the Authority's future financial plans. It is worth noting that the latest medium term financial strategy, identified at the time of setting the 2018/19 budget, shows approx. £5m of reserves being used by March 2022 meaning that we will be approaching our minimum reserve level at that time.

The Authority also holds an additional £8m of earmarked revenue reserves and £19m of capital reserves and receipts. Again, the majority of these are utilised within the medium term financial strategy, reducing to a level of £7.5m and £0.5m respectively by March 2022. It is also worth noting that over half of the earmarked reserve relates to the Authorities two PFI schemes, whereby monies are set aside in the early years of the schemes to meet future costs, thus smoothing out the impact of inflationary pressures.

The Authority has continued to invest in its asset base, with capital expenditure incurred in the year totalling £4.6m, as set out below:-

	Spend
Vehicles	
• Pumping Appliances – completion of 5 Pumping Appliances from the 2016/17 capital programme plus 6 Pumping Appliances from the 2017/18 capital programme	£1.7m
• Operational Support Vehicles – purchase of Water Tower plus various support vehicles, such as vans and cars	£0.7m
Operational Equipment	
• Purchase of Thermal Imaging Cameras and various innovations in firefighting equipment, such as Fog Spikes	£0.3m
Buildings	
• Training Centre site works, including work relating to onsite training props and the replacement water main	£0.2m
• Stage payments relating to the new joint Fire/Ambulance Station project in Lancaster, which is due completion by June 2018.	£1.5m
• Other	£0.2m
Total	£4.6m

The Balance Sheet shows that the Authorities Total Net Liabilities remaining broadly consistent at £685m. This reflects the Authorities compliance with International Accounting Standards and in particular the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme is partly funded the Fire-fighters Pension Scheme is unfunded, i.e. there are no assets from which future liabilities will be paid, and hence the Authority's overall pension liability of £799m is extremely large. If this liability was excluded the Authorities Total Net Assets would be £114m.

Long term assets have increased in value to £99m, reflecting the expenditure incurred in year and the net outcome of revaluations.

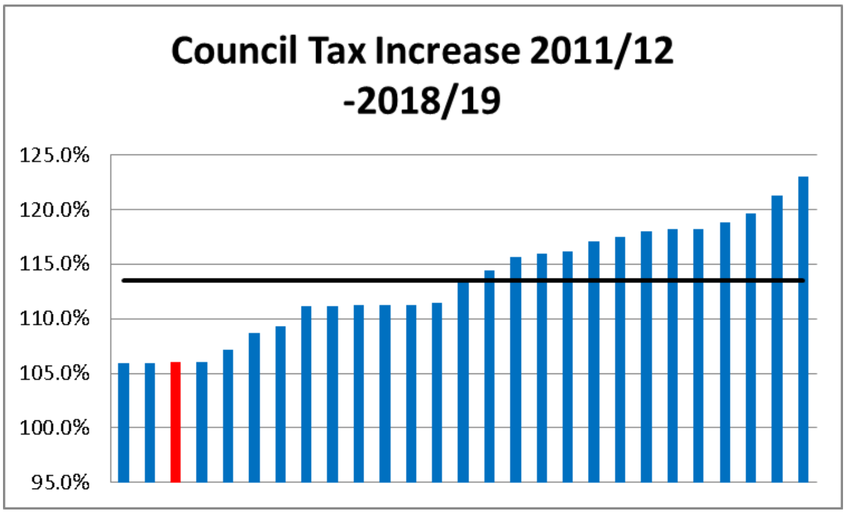
Long term borrowing has reduced to £2m, reflecting the repayment of £0.3m of debt which matured in December, plus the early repayment of £3m of debt in October. The later incurring an early repayment charge of £0.6m, but reducing future interest payments by £0.8m.

Future Financial Plans

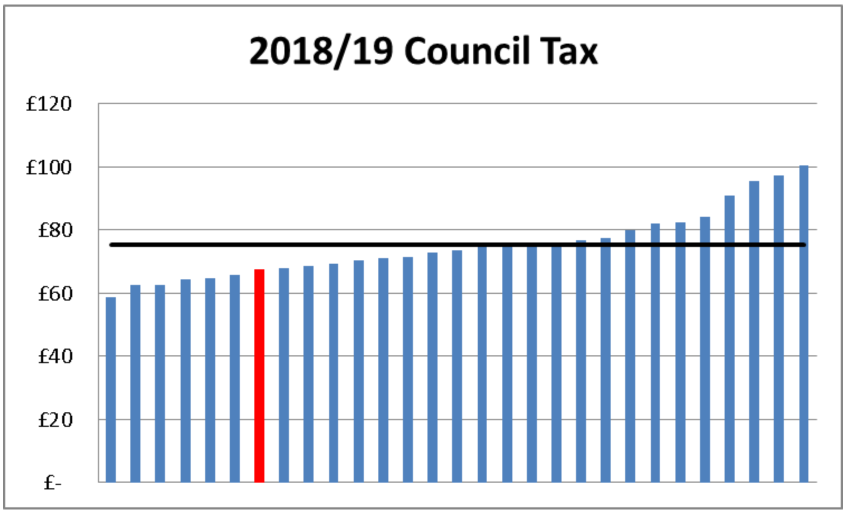
The next two years will be the last of the four year funding settlement. As such we are able to predict the scale of future Government funding cuts at £1.0m in 2018/19 and £0.5m in 2019/20. As part of this year's settlement the Government relaxed its council tax referendum principles, allowing for increased inflationary pressures, which resulted in a threshold of 3% being agreed for the next 2 years.

The Authority has plans to deliver £0.8m of efficiencies in 2018/19. These are partly offset by costs associated with pay awards, the full extent of which is not known at the present time. Overall these changes result in a revenue budget of £55.1m, however in order to deliver a council tax increase within the referendum limit (3%) an additional, as yet unidentified, savings target of £0.3m was agreed. Therefore the net revenue budget requirement is £54.8m, an increase of 1.5%, resulting in a council tax of £67.46, an increase of 2.99%. Based on this the budget, as presented, is considered affordable, prudent and sustainable, whilst ensuring that the Authority is able to deliver against its corporate priorities.

However it is worth noting that our council tax has increased by just 6.0% since 2010/11, the joint second lowest of any Authority and considerably lower than the average increase of 13.5%:-



Our 2018/19 council tax of £67.46 is still below the national average of £75.15, and is the seventh lowest of any Fire Authority



2019/20 will be the last year of the four year settlement with a further funding cut of £0.5m being expected. We will continue to deliver a further £0.3m of savings but this will not keep pace with inflationary pressures or anticipated increase in pension costs. As a result we are currently anticipating a £1m funding gap and hence we will continue to utilise reserves and identify further savings in order to deliver a balanced budget in the medium term.

Given economic uncertainty, particularly surrounding Brexit, and the potential impact of the Fair Funding Review and the roll out of greater local retention of Business rates, it is extremely difficult to anticipate what funding will look like beyond the existing settlement, hence for the purpose of medium term financial strategy we have assumed that funding is frozen in future years.

Based on this we will be faced with a funding gap in future years, the extent of which depends on future council tax decisions, and we will continue to utilise reserves and identify savings in order to deliver a balanced budget in the medium term.

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term, and will continue to balance future council tax levels and the need for investment whilst maintaining effective service delivery.

The capital budget continues to invest in our asset base, in particular vehicle replacement, refurbishment/replacement of stations, new IT requirements and new operational equipment. This gives rise to a capital program of £21m over the next five years.

This includes the re-build of Preston Fire Station, and we will finalise options for this in 2018/19, with building works likely to start the following year and last over 18 months.

We will continue to invest in training assets, with work on-going to develop plans to enhance training facilities and provide new workshop facilities at the Training Centre.

We will continue to invest in our operational equipment to ensure that our staff have the best equipment available, and the programme includes the replacement of our Breathing Apparatus sets and telemetry, our cutting/extrication equipment, defibrillators and light portable pumps over the next five years.

This can be funded from a combination of revenue contributions, specific capital grant provided by the government, capital reserves and receipts and general reserves. As such the capital programme is affordable, sustainable and prudent.

The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates or within the level of reserves currently held:-

- Further reductions in funding levels, over and above those identified in the provisional four year settlement
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation/pay-awards;
- Larger increases in future pensions costs/contributions,

- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements
- Increased cost of partnership arrangements
- Inadequacy of insurance arrangements
- Increasing capital financing charges due to higher interest rates, although clearly the risk of this is reduced due to the policy of paying off debt as it matures

Appendix 2

Comprehensive Income & Expenditure Account

	2017/18			2016/17 Restated		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Continuing operations						
Service Delivery	28,892	(1,883)	27,009	24,594	(1,819)	22,775
Strategy & Planning	8,097	(614)	7,483	7,021	(403)	6,618
People & Development	1,303	(1)	1,303	1,123	0	1,123
Corporate Services	4,224	(59)	4,165	3,219	(57)	3,162
FF Pensions	1,138	(1)	1,138	1,232	(4)	1,228
Overheads	6,411	(1,790)	4,621	8,749	(1,796)	6,953
Net cost of services	**50,067**	**(4,347)**	**45,720**	**45,938**	**(4,079)**	**41,859**
Other operating expenditure						
(Gain)/Loss on disposal of fixed assets			(13)			0
Financing & investment income & expenditure						
Interest payable and similar charges			1,576			1,674
Pensions interest cost and expected return on pensions assets			20,983			23,275
Interest and investment income			(266)			(304)
Taxation and non-specific grant income						
Council tax			(28,233)			(27,506)
Revenue support grant			(10,659)			(13,218)
Non-domestic rates redistribution			(14,605)			(15,050)
Non specific grant income:						
Capital grant			-			0
Business rates S31 grant			(511)			(447)
Deficit on provision of services			**13,992**			**10,281**
(Surplus)/Deficit on revaluation of fixed assets			(5,167)			(9,871)
Actuarial (gains)/losses on pension fund assets			(10,628)			114,465
Other comprehensive income & expenditure			**(15,795)**			**104,594**
Total Comprehensive Income and Expenditure			**(1,803)**			**114,875**

Appendix 3

Movement in Reserves Statement

	Usable Reserves							Unusable Reserves					
	General Fund	Earmarked Reserves	Total General Fund Balance	Capital Fund	Capital grant unapplied	Usable Capital Receipts	**Usable Reserves**	Reval Reserve	CAA	AAAA	Coll Fund	Pension Reserve	**Unusable Reserves**	**Total reserves**
Bal at 1.4.17	10,446	7,455	17,901	16,633	505	1,501	**36,540**	36,957	36,762	(804)	664	(796,969)	**(723,390)**	**(686,850)**
Surplus/(Deficit) on provision of services	(13,992)		(13,992)				**(13,992)**						**-**	**(13,992)**
Other comprehensive income &			-				**-**	5,167				10,628	**15,795**	**15,795**
Total comprehensive income &	(13,992)	-	(13,992)	-	-	-	**(13,992)**	5,167	-	-	-	10,628	**15,795**	**1,803**
Adjustments between accounting basis and funding basis under regulations:														
Depreciation & impairment of non-current assets	4,264		4,264				**4,264**	(1,214)	(3,050)				**(4,264)**	**0**
Amortisation of intangible assets	122		122				**122**		(122)				**(122)**	**-**
Write off of assets disposed	(60)		(60)			**81**	**21**	(47)	26				**(21)**	**0**
Utilisation of capital grant unapplied			-		(505)		**(505)**		505				**505**	**-**
Amount by which the code & statutory pension costs differ	13,138		13,138				**13,138**					(13,138)	**(13,138)**	**-**
Amount by which the collection fund income in CI&E is different to the amount taken from the GFB	(39)		(39)				**(39)**				39		**39**	**-**
Statutory provision for the repayment of debt	(330)		(330)				**(330)**		330				**330**	**-**
Capital expenditure charged to the GFB	(1,493)		(1,493)				**(1,493)**		1,493				**1,493**	**-**
Voluntary provision for the repayment of debt	(58)		(58)				**(58)**		58				**58**	**-**
	15,545	-	15,545	-	(505)	81	**15,120**	(1,261)	(760)	-	39	(13,138)	**(15,120)**	**0**
Net increase/decrease before transfers to earmarked reserves	**1,553**	**-**	**1,553**	**-**	**(505)**	**81**	**1,129**	**3,905**	**(760)**	**-**	**39**	**(2,510)**	**675**	**1,803**
Tfr to/(from) earmarked reserves	(652)	428	(224)				**(224)**		224				**224**	**-**
Tfr to/(from) capital fund	(3,528)		(3,528)	1,112			**(2,416)**		2,416				**2,416**	**-**
Postings between the GFB and AAAA	9		9				**9**			(9)			**(9)**	**-**
Net tfr to/(from) earmarked reserves	(4,171)	428	(3,743)	1,112	-	-	**(2,631)**	-	2,640	(9)	-	-	**2,631**	**-**
Increase/Decrease in the year	**(2,618)**	**428**	**(2,190)**	**1,112**	**(505)**	**81**	**(1,502)**	**3,905**	**1,880**	**(9)**	**39**	**(2,510)**	**3,305**	**1,803**
Bal at 31.3.18	**7,828**	**7,883**	**15,711**	**17,745**	**-**	**1,581**	**35,038**	**40,862**	**38,642**	**(813)**	**704**	**(799,479)**	**(720,085)**	**(685,047)**

Appendix 4

Balance Sheet

	2017/18 £000	2016/17 £000
Property, plant & equipment	93,764	88,223
Intangible assets	106	228
Long-term investments	5,000	5,000
Total Long Term Assets	**98,870**	**93,451**
Assets held for sale		21
Inventories	228	207
Short term investments		5,000
Short term debtors	10,465	10,746
Cash & cash equivalents	28,604	29,061
Current Assets	**39,297**	**45,035**
Short term borrowing		(333)
Other short term liabilities	(329)	(335)
Short term creditors	(6,311)	(6,376)
Current Liabilities	**(6,641)**	**(7,044)**
Provisions	(1,084)	(1,763)
Long term borrowing	(2,022)	(5,243)
Other long term liabilities	(813,466)	(811,285)
Long Term Liabilities	**(816,573)**	**(818,291)**
TOTAL ASSETS LESS LIABILITIES	**(685,046)**	**(686,850)**
FINANCED BY:		
Revenue Reserves	(15,712)	(17,902)
Capital Funding Reserve	(17,745)	(16,633)
Capital grants unapplied		(505)
Usable Capital Receipts Reserve	(1,581)	(1,501)
Usable Reserves:	(35,039)	(36,541)
Revaluation Reserve	(40,862)	(36,957)
Capital Adjustment Account	(38,641)	(36,762)
Collection Fund Adjustment Account	(704)	(664)
Accumulated Absences Adjustment Account	813	804
Pensions Reserve	799,479	796,969
Unusable Reserves:	720,085	723,390
Total Net Worth	**685,046**	**686,850**

Cash Flow Statement

	2017/18		2016/17	
	£000		£000	
Net deficit on the provision of services		(13,992)		(10,281)
Adjustments to net deficit on the provision of services for non-cash movements		17,251		14,538
Adjustments to net deficit on the provision of services for investing/financing activities		1,455		1,493
Net cash inflows from operating activities		**4,714**		**5,750**
Investing activities				
Purchase of fixed assets & other capital spend	(4,868)		(3,200)	
Increase in long term deposits	-		-	
Decrease in short term deposits	5,000		-	
Receipts from investing activities	99		119	
		232		(3,081)
Financing activities				
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(335)		(308)	
Repayment of long term borrowing	(3,514)		(250)	
Payments for financing activities	(1,553)		(1,612)	
		(5,402)		(2,170)
Net increase or (decrease) in cash and cash equivalents		**(456)**		**499**
Cash and cash equivalents at the beginning of the reporting period		29,061		28,562
Cash and cash equivalents at the end of the reporting period		**28,605**		**29,061**

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

FINANCIAL MONITORING 2018/19

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the current budget position in respect of the 2018/19 pay budget.

Recommendation

The Committee is requested to note and endorse the financial position.

Information

Revenue Budget – Pay position
Due to the timing of this reporting cycle, we are only able to report on the pay position for the first month of the financial year. However to put this into context pay is by far the biggest cost within the service accounting for over 75% of the total budget.

April's pay budget and spend are broadly in line at £3.15m budget compared with £3.10m spend, resulting in a slight underspend of £51k as shown below: -

Area	Overspend/ (Under spend)	Reason
	£'000	
Wholetime Pay	(45)	The whole-time pay budget included an allowance of 2% for 17/18 pay award. As previously reported an interim 1% was awarded last year, however a final resolution has not yet been reached. As such the additional 1% budgeted for has not been utilised, which results in an underspend. In addition to this there are some timing issues in terms of claims for overtime etc., which are particularly relevant in April, whereby we fully accrue for outstanding claims as part of the year end process but where there can be a delay in personnel submitting claims for these.
Control staff	(4)	As previously reported the Service has an establishment of two Control Staff, one in the Training and Operational Review Team and one in ICT team. The underspend relates to the latter whereby the communications officer post is temporarily filled by a whole-time member of staff, whilst the substantive post holder is seconded to work for the Home Office on the national ESMCP project.

Retained Pay	5	This overspend is a combination of the timing of training courses run, plus previous good retention of staff recruited during the last financial year.
Associate Trainers pay	10	Associate trainers are used during wholetime recruitment to provide greater flexibility to match resource to demand, as occurred at the start of April. As the budget is currently phased evenly over the year, this creates timing differences, which in this case have resulted in a marginal overspend.
Support staff pay	(19)	The underspend relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. This is partly offset by spend on agency staff, which amounted to £1k in April.
Apprentice Levy	(2)	The apprentice levy is payable at 0.5% of each months payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflects the various pay budget underspends reported above.
Total	**(51)**	

We continue to monitor the pay budget closely, to identify any vacancy trends that develop to ensure that they are reflected in future year's budgets, as well as being reported to Committee.

Future reports will include full details of all spend against the revenue and capital budgets, in addition to the progress against the annual savings targets.

Financial Implications
As outlined in the report

Business Risk Implications
None

Environmental Impact
None

Equality and Diversity Implications
None

Human Resource Implications
None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	**Date**	**Contact**
None		
Reason for inclusion in Part II, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

PROCUREMENT STRATEGY
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

A new 3 year Procurement Strategy has been developed, taking account of best practice aligned with national, regional and local considerations for the period 2018-2021.

Recommendation

The Resources Committee is requested to approve the new Procurement Strategy as attached at Appendix 1.

Information

Effective procurement of good, services and/or works to support front line service provision is vital for the Authority in order to meet its core objectives, reduce risk and demonstrate probity and accountability.

Purchasing of goods, services and/or works represents a significant interface with the economic community on a local, regional and national level via contractual relationships developed with suppliers.

The Procurement Strategy sets a clear framework to achieve compliant procurement throughout the Authority and reflects the Home Office Agenda, the Authority's Corporate Plan, adherence to internal Contract Standing Orders and Financial regulations, adherence and compliance with all appropriate legislative requirements whilst upholding a professional service that encourages collaboration.

The Strategy also defines the role of the Procurement function in the delivery of the Authority's commitment to providing best value for money identifying Procurement's priorities over the next 3 years aligning with local, regional and national Procurement Policy with critical actions required to deliver the strategy.

Financial Implications

None

Human Resource Implications

None

Business Risk Implications

The Authority recognises the importance of a professional procurement department which provides commercial support and guidance in regard to the purchasing of goods, services and/or works. The Procurement Strategy supports a structured approach to procurement and aligns with local, regional and national policy.

Environmental Implications

None

Equality & Diversity Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	**Date**	**Contact**
Reason for inclusion in Part II, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY

PROCUREMENT STRATEGY

2018-21

making Lancashire safer

CONTENTS

1. INTRODUCTION

This role of the Procurement function within Lancashire Combined Fire Authority is to ensure application of its commitment to providing best value for money in terms of quality and cost. This Procurement Strategy identifies procurement's priorities aligned with local, regional and national procurement policy and the critical actions required to deliver the Strategy.

The Authority recognises the importance of a professional procurement department which provides effective support, structure and guidance in regard to the compliant purchasing of goods, services and works.

The Strategy sets out a clear framework to achieve compliant procurement throughout the Authority which adequately reflects the Home Office collaborative agenda, the Authority's Corporate Plan, adherence to internal Contract Standing Orders and Financial regulations and the Authorities commitment to sustainable Procurement.

2. BACKGROUND

Lancashire Combined Fire Authority's non-pay expenditure for goods, services and/or works is approximately £18 million per year.

The impact of procurement is far greater than a simple definition of a process. The principles set out in this Strategy illustrate the positive effect that compliant and efficient procurement makes to the communities the Authority serves considering socio-economic agendas such as equality and diversity, local economy, community benefit and reducing environmental impact. Purchasing of goods, services and/or works represents a significant interface with the economic community on a local, regional and national level.

Effective procurement of goods, services and/or works to support front line service provision is vital in order for the Authority to meet its core objectives.

3. WHAT IS PROCUREMENT

The term 'procurement' has a far broader meaning than simply buying goods. Procurement is the efficient acquisition of appropriate goods, services or works that provide the best possible value taking into account quality and cost.

The procurement process spans the whole life cycle of a product or service from identification of the requirement through to the useful life of a product or service (also defined as an asset). The Authority's procurement processes promote fair and transparent competition, minimise exposure to fraud and collusion by effectively managing commercial risk and ensures optimum value for money.

The procurement department provides a professional internal support service to efficiently plan, design, commission and manage purchasing activity.

4. APPLICABILITY

This Strategy applies to all external procurement and commissioning of goods, services and/or works.

All procurement activity must comply with internal Contract Standing Orders, Financial Rules/Regulations (both within the Authority and Home Office) and relevant legislative requirements (the framework of rules for procurement is determined by UK and European Law and any Domestic and European Procurement Directives must be complied with).

EU Procurement Directives (for goods and services with a total contract value above £181,302 and for works above £4,551,413) must be followed and e-procurement is mandated, specifically publishing notices to OJEU (Official Journal of the European Union). The Procurement department must be included in any EU procurement process and will publish the relevant documentation in adherence to internal Contract Standing Orders and any relevant Directives.

Contract Standing Orders determine the applicable thresholds and appropriate procurement procedures and should be adhered to at all times.

All members of staff and Authority Members involved in any procurement activity must be aware that procurement procedures must demonstrate probity and accountability which are fully auditable.

5. PROCUREMENT PRINCIPLES

Fundamental to this Strategy are procurement principles which guide the Authority as to how procurement is conducted. The Authority's approach to procurement must:

- Ensure effective and efficient procurement control and management;
- Deliver a flexible, cost effective and fit for purpose support service to internal customers;
- Deliver value for money via modern, economically and socially responsible practice, ensuring fairness and transparency;
- Increase professionalism and commercial skill in regard to procurement activity;
- Maximise sustainability and embrace collaborative opportunities in all procurement activity;
- Provide opportunities to local and SME's (small to medium enterprises) suppliers to participate by increasing visibility of procurement plans and opportunities;
- Deliver cost savings and efficiencies;
- Monitor and measure procurement performance, promoting continuous improvement;
- Improve stakeholder and supply chain engagement.

<u>General</u>
For all procurement activity, the outcomes and objectives to be achieved and the steps that will achieve them need to be clear. The assessment of risk associated with any procurement activity must be assessed and minimised accordingly.

All major procurement activity should be adequately planned and consideration given to the resources required to achieve the appropriate outcome.

Wherever possible, requirements will be expressed in terms of outcome and performance to provide scope for innovation.

The consistent use of corporate contracts and contracted suppliers across a wide range of areas whenever possible ensures that risk is reduced i.e. the contracted suppliers have been evaluated, governance has been undertaken and internal systems have been set up to receive and promptly pay invoices. The Procurement department will have undertaken the appropriate process to ensure that improved terms e.g. extended warranty and improved pricing e.g. fixed prices for the term of the contract are applied. Failure to use contracted suppliers and/or existing arrangements can increase transactions costs.

Value for money

Procurement procedures should focus on enabling the achievement of value for money in terms of both quality and cost.

Whole life costing methodologies should be used when appropriate i.e. consideration of the life cycle cost associated with any purchase. An example may be the procurement of a fire appliance – costs associated with spare parts, ongoing maintenance and disposal must be considered.

Collaboration

Collaborative working (locally, regionally and nationally) will provide the opportunity for working with other fire authorities and public sector bodies i.e. one lead authority can manage a large scale procurement exercise on behalf of the NW region. An example where this has worked well is LFRS leading on national procurement exercises for a Rota, Availability and Payroll System, and Purchase of Ladders. Both these contracts are available for any UK FRS to use. The Authority will review all options for the procurement of goods, services and/or works and consider potential collaboration with other fire authorities, local authorities, consortia and the private sector where appropriate. The Authority will continue to promote and invest in existing collaborative arrangements.

The NW Technical and Procurement Officers Group will continue to consider joint working, aligning contract expiry dates, consolidating and standardising requirements and leading on regional tender opportunities (e.g. Multi Gas Detectors, Appliance Bay Door Maintenance, Station End Mobilising Equipment).

Current working relationships with LanCon (Lancashire Constabulary) will be developed to ensure that collaborative opportunities are progressed where appropriate. Examples include a review of both LFRS and LanCon Contracts Registers to identify potential collaborative contracts, alignment of expiry dates of existing arrangements and mutual support and guidance in terms of procurement best practice.

E-Procurement

E-procurement systems streamline all aspects of the purchasing process. All the Authority's procurement activity should be processed via the appropriate electronic financial or e-tendering system.

The Authority processes transactions electronically whenever possible. E-procurement solutions that provide efficiencies will be implemented when appropriate to deliver lower transaction costs, reduce off-contract spend* and minimise paperwork therefore providing efficiencies and environmental benefits.

Suppliers are encouraged to register on the Authority's e-tendering system.

The Procurement department will ensure guidance, support and training is provided where necessary and will facilitate the procurement process via the e-tendering system.

**Off-contract spend is expenditure for goods, services and/or works from a source outside of a formal existing arrangement.*

Sustainable Procurement

Sustainable procurement is not simply about purchasing environmentally friendly products. The Authority's Social Value and Sustainable Procurement Policy supports and underpins the organisation's Safety, Health and Environmental Policy, Environmental Management System detailed in the Environment Service Order and Climate Change and Environment Strategies.

Suppliers are encouraged to adopt practices that minimise their environmental impact and deliver community benefits in relation to their own operations and throughout their supply chain. Sustainability enhancements and targets both internally and with the supply chain will be sought to support continuous improvement.

Small to medium sized Enterprises (SME's), local suppliers and the voluntary sector are encouraged to bid for appropriate contracts.

Whole life costs are to be considered when making purchases or tendering, to investigate not only the product purchased but also maintenance, re-use and disposal etc. to ensure value for money is achieved.

The Authority aims to reduce the amount of waste going to landfill by encouraging re-cycling of reusable materials and minimise wastage generally by encouraging staff and stakeholders to consider whether a product or service is required before they buy.

Further information in regard to whole life costings can be found at Appendix 1.

Equality, Diversity and Inclusion

Promoting equality, diversity and inclusion throughout the procurement process and supply chain is a crucial objective for the Authority. Fairness, transparency, honesty, integrity, impartiality and objectivity must be evidenced in all procurement decisions.

Compliance with the requirements of the Equality Act 2010 is mandatory and will be considered appropriately in procurement processes, ensuring that consideration is given to ensure that suppliers follow best practice and adhere to the principles of no discrimination in regard to age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

Social Value

Compliance with the requirements of the Social Value Act 2012 is mandatory and requires the Authority to take into account economic, social and environmental well-being in connection with public sector contracting arrangements (where appropriate).

The Authority seeks to make a positive contribution towards social inclusion, securing improvements to the environment and minimising environmental impact through its purchasing activity. Where appropriate, evaluation criteria involving social considerations will be used as part of the tender evaluation process.

Modern Slavery

Modern slavery is a criminal offence under the Modern Slavery Act 2015 and can occur in various forms, including servitude, forced or compulsory labour and human trafficking. All of these involve the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. The Authority is committed to acting ethically and with integrity with a zero-tolerance approach and to implementing and maintaining effective systems and controls to ensure that Modern Slavery is not taking place in our supply chain.

Consultation with Stakeholders

Appropriate consultation will take place when making procurement decisions, ensuring that consideration is proportionate to the scale, complexity and value of the requirement. Different stakeholders may be required at different stages of the procurement.

Stakeholders may include internal and external members, staff, service users, representative bodies, suppliers and other fire authority staff.

Training and Development

The procurement department will deliver procurement training, guidance and advice at a local level as required within the Authority to raise awareness and improve compliance with Procurement rules and regulations.

6. CONTROLS, STANDARDS AND RISKS

Effective management arrangements to ensure contract monitoring, measure and review should achieve completion of service delivery on time, within budget and in accordance with the specification.

Project management principles should be adopted to monitor procurement projects in regard to costs, schedule plans, quality and service delivery and adherence to the Authority's Procurement Service Order (ADMIN-90), Social Value and Sustainable Procurement Policy and Procurement Strategy is actively encouraged.

Business Continuity Planning (BCP)

BCP is an integral part of the business planning strategy utilised throughout the Authority. Procurement projects must seek to protect all services and functions by increasing levels of preparedness and reduce risk to the organisation via a proactive approach to BCP.

Suppliers are encouraged to follow the same philosophy and consideration within complex, high value procurement projects.

Risk Management

Procurement is subject to risk and uncertainty. The risk that procurement outcomes will not match the initial objectives needs to be recognised from the outset and suitable risk management approaches should be utilised. This may involve consultation with various directorates or departments at varying stages of the procurement cycle - see Appendix 2.

Commercial risk to the organisation should be managed effectively through best and robust procurement practice. The procurement department is able to facilitate appropriate management.

Risks should be managed and reside with those most able to effectively manage them. This may require the supplier to accept risk within formal contract terms and conditions.

Fraud Avoidance

The Authority recognises that when procuring goods, services and/or works there is the potential for fraudulent activity to occur. This will be managed by committing to ensure that fair and transparent procurement processes are implemented and followed accordingly with annual audit procedures in place.

The detection, prevention and reporting of fraud is the responsibility of all Members and employees of the Authority. All are expected to:

- Act with integrity
- Comply with all relevant codes of conduct
- Comply with Contract Standing Orders and Financial Regulations
- Raise concerns as soon as impropriety is suspected via the whistleblowing policy contained in Section 23 of the Human Resources Service Order.

Members, employees and/or the general public are encouraged to raise concerns they may have in respect of fraud and corruption via:

- Line Managers
- Internal Audit
- Directors
- Chief Fire Officer
- Members
- Clerk

Continuous Improvement

Procurement performance will be monitored at a departmental level and will identify areas of good performance and areas for development. At times internal customers may be requested to complete satisfaction questionnaires and will always be encouraged to provide feedback (both positive and constructive criticism) on an ongoing basis to the Head of Procurement. This information will be used to develop and progress continuous improvement initiatives.

Procurement department staff will ensure that all relevant accreditations and qualifications are kept up to date and will operate in a professional manner ensuring the highest of standards and probity are upheld.

Support and advice will be sought from industry experts and other fire authorities to gain experience and upskilling if appropriate.

Departmental Plans

Procurement plans (strategic and action plans) are in place and updated regularly. A snap shot of the annual plans are provided within this Strategy document for information purposes.

Appendix 1

LFRS ensures that Procurement projects consider whole life costing taking account of the cost of a product or service over its entire life, from identifying the need through to disposal and/or replacement.

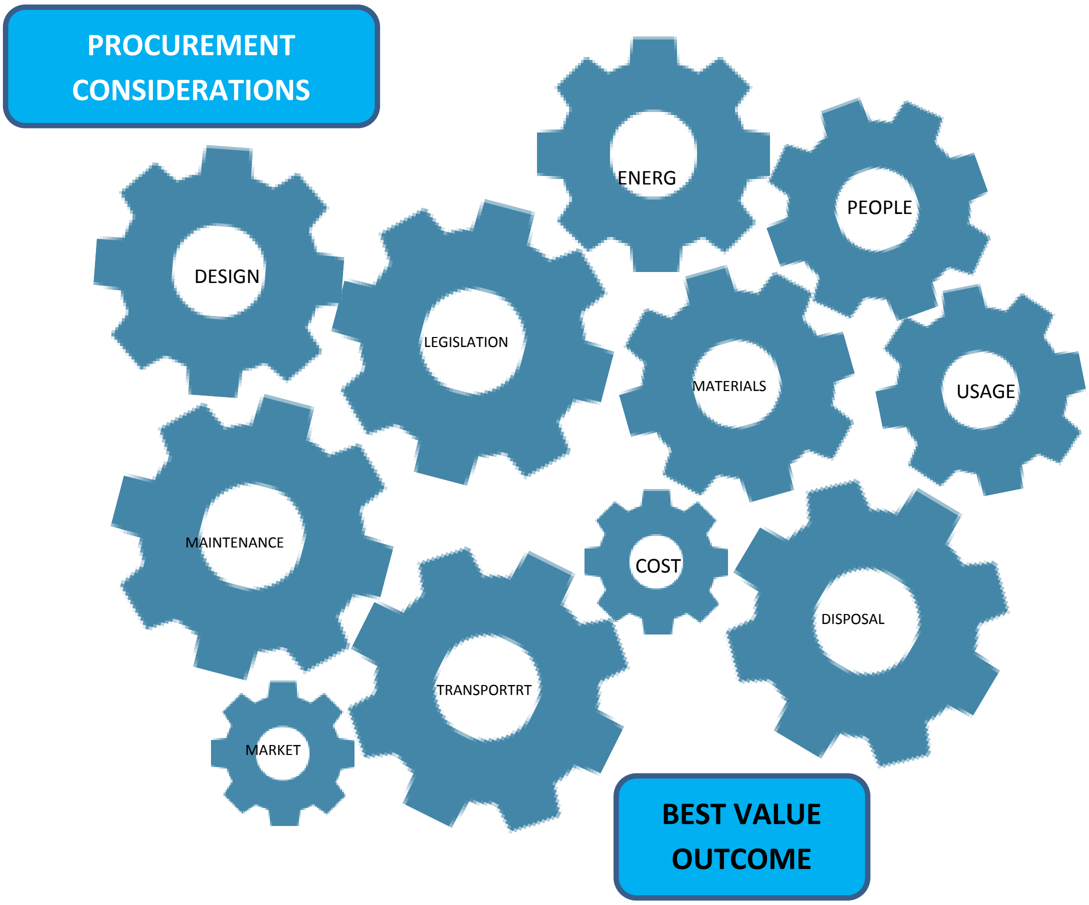
For Goods, this includes the costs of maintaining and operating the product, outright purchase, hire or lease price, the cost of consumables, utilities/energy, training, CO_2 emissions and carbon footprint of the manufacturing stage of a product and the cost of disposal at the end of the life of the product.

For Services, costs such as overtime, staff training, travel expenses etc. are considered when evaluating a service contract.

For Works, legislative requirements in regard to construction materials, energy consumption and reduction, environmentally friendly products and local supply chain and ongoing and maintenance costs will be considered.

It is important that LFRS fully considers the social, economic and environmental impact in the procurement of Goods, Services and Works and that any requests for information as part of a procurement exercise is relevant and appropriate.

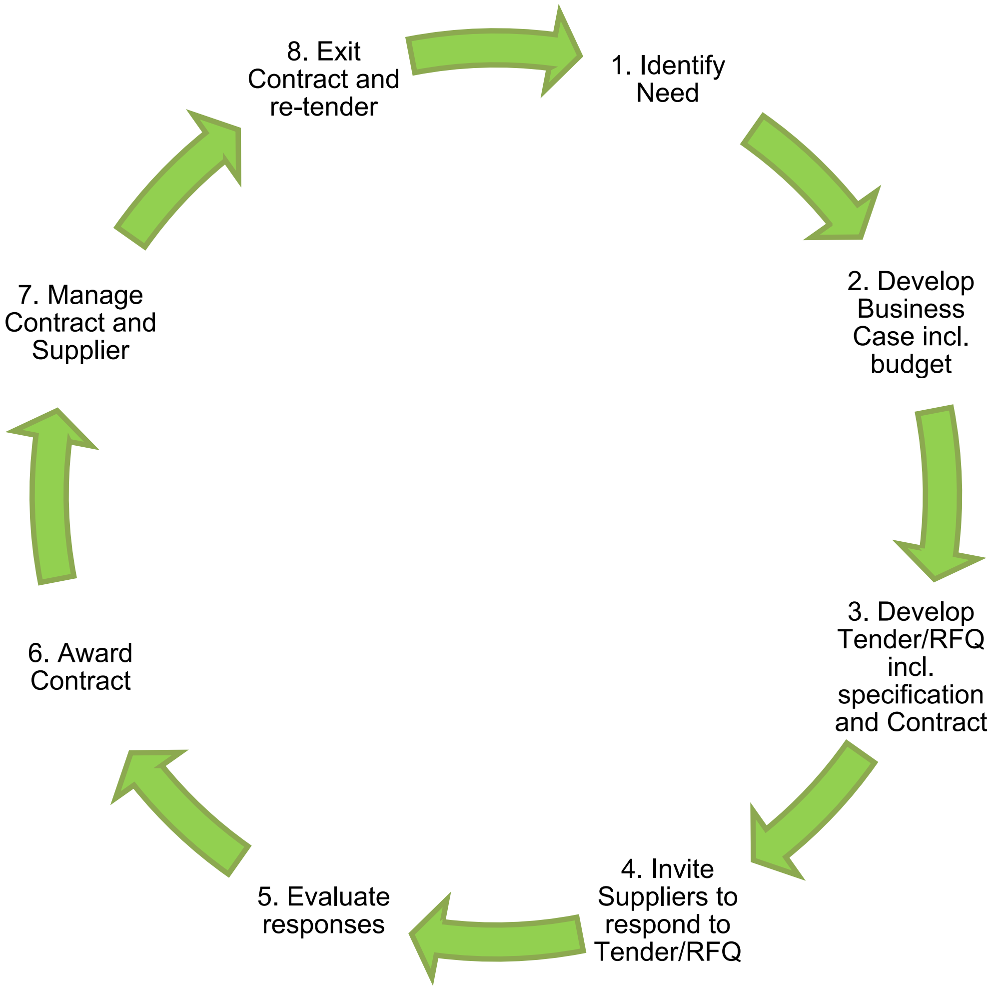
Various procurement documents provide appropriate guidance and advice to ensure that Whole Life Costing is included in all Procurement exercises.



Guidance and advice is available by contacting the Procurement Dept – procurement@lancsfirerescue.org.uk or by accessing information on the Intranet. The following documents provide relevant information: Procurement Strategy, Social Value and Sustainable Procurement Policy, Procurement Service Order, Specification Checklist, SO-ADMIN-90, SO-ENV-00.

Appendix 2

Procurement Cycle



1. Understanding and defining of the company needs and technical requirements.
2. Internal rules to be followed, confirmation of available budget and authorisation to proceed.
3. Drafting of tender/request for quote documentation including evaluation methodology, specification and draft contract.
4. Formal invitation to Suppliers to respond to the procurement opportunity.
5. Formal evaluation of all responses including quality and cost (MEAT*).
6. Formal contract award to successful supplier(s).
7. Formal contract and Supplier management for the full term of the contract including regular Supplier Performance Review.
8. Plan for exit of contract and re-tender process.

**MEAT = most economically advantageous tender taking into account the total cost of ownership to the Authority in regard to quality and cost.*

LFRS Procurement - Strategic Plan 2018/2019						
Ref	**Strategic Objective**	**Owner**	**Allocated to**	**To be completed by**	**Measure of success**	**Status (RAG)**
1	Regularly review, monitor and update Procurement Plans	DHOP	DHOP	Quarterly	Procurement Action Plan monitored and updated regularly	
2	Procurement efficiency savings target for FY18/19	DCorp/DHOP	DHOP	Quarterly	Reported to Resources Committee each quarter	
3	Consider opportunities for joint initiatives/contracts and implement contracts/Framework Agreements (local, regional and national)	DCorp/DHOP	DHOP	Ongoing	Closer joint working (resource, contracts and savings) Level of collaboration increased	
4	Develop improved programme of Contract/Supplier Management	DCorp/DHOP	DHOP	Ongoing	Improved contract/Supplier management	
5	Review, develop and introduce standard documentation, policy and procedures	DHOP	DHOP/Proc	Ongoing	Suite of standard documents, templates and processes being widely used	
6	Maximise corporate contracts	DHOP	DHOP/Proc	Ongoing	Contracts identified and report monthly to DCorp	
7	Identify and address off contract spend	DCorp/DHOP	CMs	Quarterly	Increased contract spend to be reported quarterly to DCorp	
8	Further development of a programme of procurement training	DHOP	DHOP	Quarterly	Increased departmental quality and output (staff)	
9	Support collaborative approach with Lancashire Constabulary	DHOP	DHOP/Proc	Ongoing	Collaborative opportunities progressed	

LFRS Procurement Action Plan 2018-19

Ref	Objective	Comments / progress / update	Date last updated	Updated by
1	Regularly review Procurement Action Plan	Regular review linked to Procurement Strategy: - Quarterly updating of action plan.	TBC	
2	Procurement efficiency savings target for FY18/19	£100K annual target set locally in Procurement. Updated and presented to Resources Committee quarterly	TBC	
3	Consider opportunities for joint initiatives/contracts and implement contracts/Framework Agreements (local, regional and national)	NW regional technical and procurement officers - MOU in place NFCC engagement	TBC	
4	Develop improved programme of contract/supplier management	MFRS/LFRS looking to draft a contracts Management toolkit - discussions regionally. - Schedule of meetings implemented on Contracts Register; Reduction of Supplier database to rationalise number of active suppliers and work with LCC to update Oracle regularly;	TBC	
5	Review, develop and introduce standard documentation, policy and procedures	Shared regionally and MFRS adopted: Travel management; Supplier set up process; Selection Questionnaire; Specification Checklist; Updated T's & C's; Standard evaluation methodologies; IR35; Procurement Strategy; CSO's; Regional MoU; Sustainable Procurement and Social Value Policy	TBC	
6	Maximise corporate contracts	Identify purchases which could be procured via existing contracts and address. Stationery, Furniture, Property, ICT contracts being monitored. Increased inclusion of Procurement in purchasing goods and services (FES, SD, SHE, ICT, Property) Review and increase the number of online catalogues.	TBC	
7	Identify and address off contract spend	Monitor Spendpro data for regular/above £5k purchases that require formal contracts and add to procurement project plan Increased awareness training of regulations to LFRS staff via training workshops and Intranet Utilise quarterly NFCC Framework/contracts database to identify appropriate contracts/Frameworks to access where appropriate. Track spend and usage data within Tranman.	TBC	
8	Further development of a programme of procurement training	Draft a procurement induction pack with guidance on all aspects of procurement and present Procurement Overview as part of new recruit's induction. Develop stakeholder engagement with dept. and station visits to raise awareness of Procurement. Undertake annual workshop training sessions	TBC	
9	Support collaborative approach with Lancashire Constabulary	Continue to explore potential collaborative opportunities to implement joint contracts. Share procurement best practice, procedures and policies.	TBC	

making Lancashire **safer**

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 21 May 2018

EFFICIENCY PLAN 2018/19
(Appendix 1 refers)

Contact for further information:
Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The attached efficiency plan updates that approved in 2016/17 as part of the four year funding settlement. The update is based on the approved 2018/19 budget.

Recommendation

The Resources Committee is asked to note and endorse the Efficiency Plan.

Information

The attached efficiency plan updates that approved in 2016/17 as part of the four year funding settlement. The update is based on the approved 2018/19 budget.

Included within the update are revised savings figures, showing total savings of £18.5m being delivered since April 2011. With further savings of £1.1m already identified.

As set out in the budget report we are still faced with funding shortfalls in future years. We will continue to identify savings opportunities, and explore collaborative opportunities to deliver savings in order to contribute to this position, however the on-going use of reserves will remain a key component of our Medium Term Financial Strategy.

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term, and will continue to balance future council tax levels and the need for investment whilst maintaining effective service delivery.

Financial Implications

As outlined in the report

Business Risk Implications

The Authority is required to publish its efficiency plan, to demonstrate how it is meeting the challenges presented by the current for year funding settlement.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
Revenue Budget 2018/19	February 2018	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		

Lancashire Fire and Rescue Service

EFFICIENCY PLAN 2018/19

Efficiency Plan 2018/19-2019/20 (Including Outturn for 17/18)

This efficiency plan is based on the Authority's 2018/19-2022/23 revenue budget/medium term financial strategy, as contained in its budget booklet.

Revenue Budget Strategy

In considering its council tax requirements the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses 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

Government Funding

The Government has continued with the multi-year settlement offer made in 2015/16. As such funding fell by £1.0m to £24.3m in 2018/19.

Next year's settlement will be the last of the current four year settlement, hence, barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these amounts to be presented to Parliament each year. and in line with this we anticipate a further funding reduction of £0.5m:-

		Reduction	
2015/16	£29.4m		
2016/17	£27.6m	£1.8m	6.1%
2017/18	£25.3m	£2.3m	8.3%
2018/19	£24.3m	£1.0m	4.0%
2019/20	£23.8m	£0.5m	2.0%
		£5.6m	

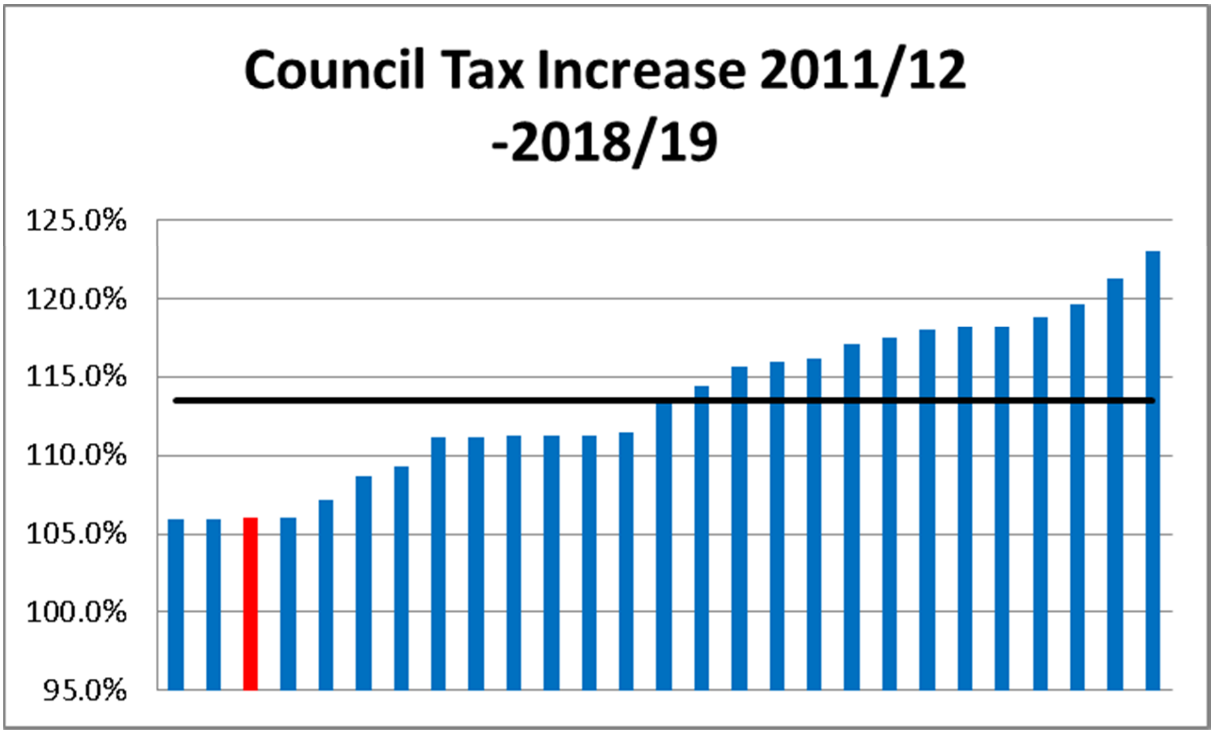
We still have no indication as to what settlement will look like after 2019/20. However the Governments Autumn Budget published in November 2017 indicated that the economy was still struggling, that debt remained higher than anticipated and hence it appears likely that austerity will continue, albeit at a reduced pace. Furthermore the Government is currently consulting on a Fair Funding Review which will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence, with the outcomes of this anticipated to impact on the settlement in 2020/21 and beyond. Running alongside this the Government has restated its intention to increase the level of business rates that are retained locally, increasing this to 75% by April 2020. The impact of these changes is unclear at the moment and hence we have assumed that funding is frozen in future years.

Council Tax

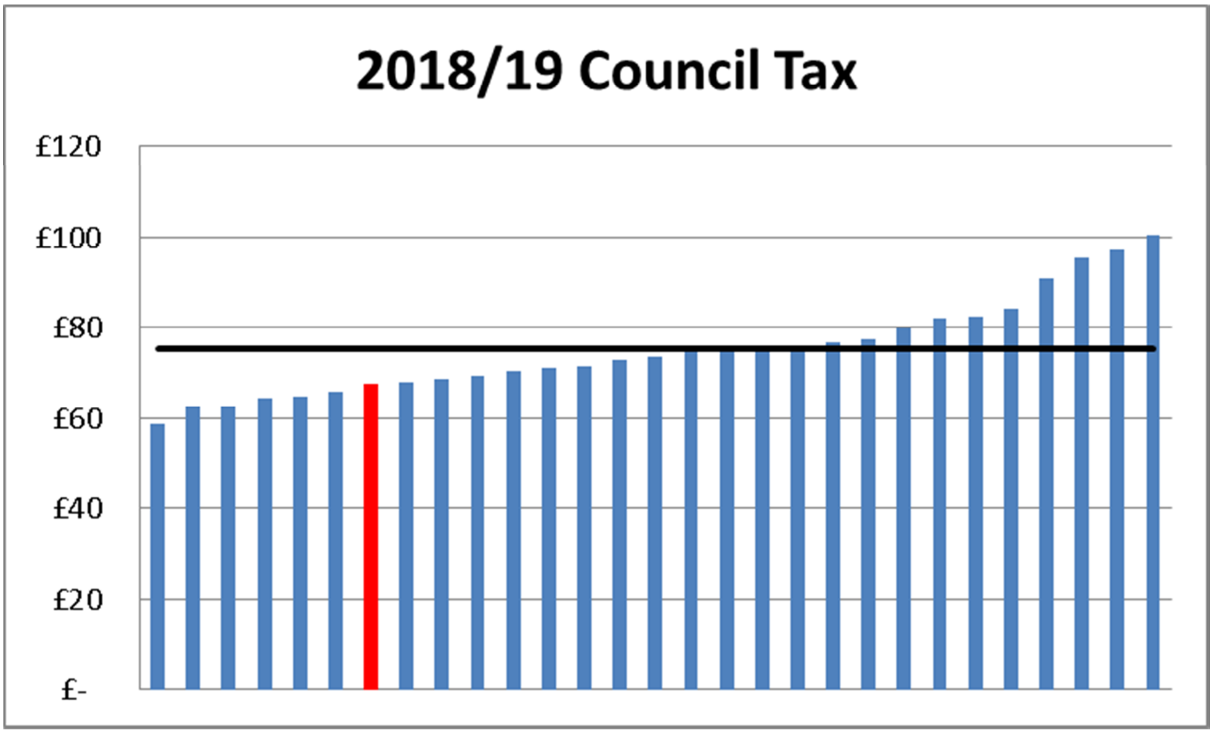
In setting the council tax, the Authority aims to balance the public's requirement for our services with the cost of providing this. As such the underlying principle of any increase in council tax is that this must be seen as reasonable within the context of service provision.

Council tax increases, and hence budget increases, have been constrained by our desire to deliver value for money services and by capping or the current referendum thresholds set by the Government.

This culminated in a council tax increase of 2.99% in 2018/19, within the current 3% referendum principle. However it is worth noting that our previous council tax increases have been amongst the lowest of any Fire Authority, hence council tax has increased by just 6.0% since 2010/11, the joint second lowest of any Authority and considerably lower than the average increase of 13.5%:-



Our 2018/19 council tax of £67.46 is still below the national average of £75.15, and is the seventh lowest of any Fire Authority



It is also worth noting that Fire accounts for less than 5% of the overall council tax charged in Lancashire.

Cashable Savings

The Authority has a good track record of delivering efficiency savings, identifying £5.5m of savings between 2011 and 2013.

In February 2013 the Authority set a target of an additional £10m of savings to be delivered by March 2017. By the end of 2016/17 we had delivered an additional £11m of savings, exceeding our target by £1m. We had also identified further savings of £1.5m in 17/18, bringing the total savings identified to £18.0m since 2011 (over 25% of the Authority budget):

	2011-2013	2013-2017	2017-2018	Total
Move to NW Fire Control	£0.8m	-	-	£0.8m
Introduction of Day Crewing Plus Duty System	£2.6m	£1.9m	-	£4.5m
Outcome of Emergency Cover Reviews	-	£1.5m	£0.5m	£2.0m
Alternative Crewing Arrangements for Specials	£0.3m	£0.4m	-	£0.7m
Prevention & Protection Review	£0.5m	£0.6m	£0.1m	£1.2m
Reduction in Senior management posts	£0.2m	£0.6m	-	£0.8m

Support Functions	-	£1.5m	-	£1.5m
Reduction in number and cost of ill health retirements	£0.2m	-	-	£0.2m
Non pay savings(inc procurement)	£0.9m	£3.5m	£0.6m	£5.0m
Reduction in LGPS costs	-	-	£0.3m	£0.3m
Reduction in capital financing costs	-	£1.0m	-	£1.0m
	£5.5m	£11.0m	£1.5m	£18.0m

In 2017/18 we actually delivered £2.0m of savings, exceeding our £1.5m target. As can be seen a significant proportion of this related to vacancies within the pay budget which were temporary in nature pending recruitment which is due to take place in the current financial year.

	Target	Savings Delivered
Staffing, including Emergency Cover Review outcomes, LGPS scheme deficit removal plus management of vacancies	£0.777m	£1.153m
Reduction in service delivery non pay budgets including the smoke detector budgets	£0.222m	£0.280m
Reduction in Property repairs and maintenance and utilities budgets	£0.215m	£0.010m
Reduction in Fleet repairs and maintenance and fuel budgets (although these budgets are underspent, they are offset by overspends on other budget headings as reported above)	£0.066m	£0.066m
Reduction in insurance Aggregate Stop Loss	£0.050m	£0.153m
Reduction in capital financing charges	£0.040m	£0.040m
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	£0.104m
Balance – cash limiting previously underspent non pay budgets	£0.180m	£0.180m
Total	£1.550m	£1.986m

Over the next two years we have identified further savings of £1.1m:-

	2018/19	2019/20
Removal of temporary posts created in previous years	£0.1m	-
Reduction in Interest Payable as a result of paying off a proportion of debt	£0.2m	-
Reduction in operational equipment replacement budget reflecting asset management plans	£0.1m	-
Savings identified from reviewing various non-pay budgets	£0.4m	-
Rental Income re Site Sharing of Preston Fire Station	-	£0.1m
Savings relating to transfer from Airwave to ESMCP	-	£0.2m
	£0.8m	£0.3m

Collaboration

The Service continues to deliver savings from Collaborative opportunities. .

In 2014 the Service was involved in establishing a joint NW Fire Control Centre with Cumbria, Manchester and Cheshire, which delivered over £0.8m of savings to Lancashire.

We continue to look at opportunities to deliver services, including support service, on a more effective basis through collaboration, and this approach has seen us utilise Lancashire County Council for various support functions, GMC Fire for payroll services and we have a shared procurement arrangement with Mersey Fire.

In respect of procurement we work collaboratively with our partners delivering regional contracts in areas such as PPE, uniforms, specialist vehicles etc., as well as utilising national contracts where appropriate.

We have implemented a gaining entry scheme to support North West Ambulance Service across the county, removing some of the burden previously placed on Lancashire Constabulary to undertake this activity.

We introduced an emergency first responder scheme with North West Ambulance Service in Morecambe and Ormskirk, attending incidents and ensuring that the public get the quickest possible assistance to specific types of medical emergencies, thus improving survival rates. (This is currently suspended pending the outcome of national pay discussions)This was extended to 5 further stations as part of a NJC pilot.

We have continued to explore opportunities to share sites with other public bodies, and are nearing completion of the build of a joint Fire & Ambulance Station in Lancaster, which is part funded by Government grant. This will be the third station that we share with North West Ambulance Service, after Darwen and Preston Fire Stations. We are also reviewing options around Morecambe Fire Station. In addition we already share Preesall Fire Station with the Police.

In order to ensure that we are well placed to meet future challenges arising from our new duty to collaborate, we have previously seconded officers into both Lancashire County Council and Lancashire Police, and have signed a Statement of Intent and established a joint collaboration group with the Constabulary to explore further opportunities that collaboration presents.

Funding Gap

Despite identifying over £19m of savings since April 2011, of which £5m cover the four year settlement period, we are still faced with a growing funding shortfall in subsequent years, the scale of which will depend upon future council tax options and other pressures:-

	2019/20	2020/21	2021/22	2022/23
Based on 3% increase in council tax	(£1.2m)	(£1.7m)	(£2.2m)	(£2.6m)
Based on 2% increase in council tax	(£1.5m)	(£2.3m)	(£3.2m)	(£4.0m)

Based on 1% increase in council tax	(£1.8m)	(£2.9m)	(£4.2m)	(£5.3m)
Based on council tax freeze	(£2.1m)	(£3.5m)	(£5.1m)	(£6.5m)

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

General reserves are sufficient to balance the budget throughout the period of the four year settlement. However they are only a short term solution, and based on the current assumptions included in the budget, and allowing for a 3% council tax increase each year, they will fall to our minimum level by the end of 2021/22. Furthermore the utilisation of reserves will still leave a recurring funding gap that will need to be offset by savings at a future point in time.

In order to offset this the Authority will continue to identify savings opportunities, and we will continue to explore collaborative opportunities to deliver cashable, and non-cashable, savings in order to contribute to this position.

Use of reserves

The Authority has adopted a position of delivering savings at the earliest opportunity, with any subsequent underspend being transferred into reserves in order to enhance its overall financial position and to ensure that sufficient reserves are held to deal with future uncertainties the most notable of which has bene funding levels.

As a result the Authority is in a strong financial position currently holding £8m of general reserves, i.e. uncommitted reserves which provides scope to utilise £5m of these to meet the future revenue and capital requirements.

Hence, assuming council tax is increased by 3% and all other budget assumptions are correct, by the end of the current four year settlement (March 2020) general reserve levels could have reduced down to approx. £7m still above our minimum requirement. These reserves will come under increasing pressure in future years, with the latest forecast indicating these will reduce down to our current minimum level by March 2022.

Further details of this are included in the Reserves Strategy, which is included in our budget booklet.

Key risk and mitigation strategies

The following significant financial risks have all been assessed and are adequately covered within the budget estimates presented or within the level of reserves currently held:-

- Further reductions in funding levels, over and above those identified in the provisional four year settlement
- Reduction in funding via Business Rates retention scheme;
- Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
- Higher than anticipated inflation/pay-awards;

- Larger increases in future pensions costs/contributions,
- Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements
- Increased cost of partnership arrangements
- Inadequacy of insurance arrangements
- Increasing capital financing charges due to higher interest rates, although clearly the risk of this is reduced due to the policy of paying off debt as it matures

It is inevitable that there may be other changes in funding or costs which cannot be anticipated which may impact the Authority. Dependant upon the scale of these the Authority will be required to utilise more reserves or deliver greater savings. However the Authority remains in strong position to deal with any such changes that occur.

Summary

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term, and will continue to balance future council tax levels and the need for investment whilst maintaining effective service delivery.

The move to four year settlements creates greater certainty which is to be welcomed. This certainty enables the Authority to take better informed longer term planning decisions, confident that any changes are deliverable in the financial context that it faces. Not only that change can be implemented in a more structure way, thus minimising the impact on service delivery, as well as on staff within the organisation.

We will report on performance against the efficiency plan, alongside our other performance data, such as the annual accounts, annual assurance statement, performance report etc., (which are all available of the website) and will continue to strive to make any such reporting as transparent as possible.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 16

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