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LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 27 November 2019 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

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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 - 14)

4. TREASURY MANAGEMENT - MID-YEAR REPORT 2019/20 (Pages 15 - 20)

5. FINANCIAL MONITORING 2019/20 (Pages 21 - 30)

6. THE 2020/21 LOCAL GOVERNMENT FINANCE SETTLEMENT - TECHNICAL CONSULTATION PAPER (Pages 31 - 34)

7. LOCAL GOVERNMENT PENSION SCHEME VALUATION (Pages 35 - 38)

8. SINGLE-USE PLASTIC PROMOTION (Pages 39 - 50)

9. DATE AND TIME OF NEXT MEETING

   The next scheduled meeting of the Committee has been agreed for 10:00 hours on 25 March 2020 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 20 May 2020 and 23 September 2020
proposed for 25 November 2020

10. 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.

11. 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

12. HIGH VALUE PROCUREMENT PROJECTS (Pages 51 - 56)

13. RECONVENED IDRP - STAGE 2 (Pages 57 - 142)

14. 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, 25 September 2019, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
S Blackburn
F Jackson
H Khan
T Martin (Vice-Chair)
D O'Toole
M Parkinson OBE (for L Beavers)
T Williams

Officers

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

49/19 APOLOGIES FOR ABSENCE

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

50/19 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

51/19 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 29 May 2019 be confirmed as a correct record and signed by the Chairman.

52/19 MINUTES OF MEETING THURSDAY, 29 AUGUST 2019 OF RESOURCES SUB-COMMITTEE (CONTRACT VARIATIONS)

The Resources Sub-Committee (Contract Variations) met on 29 August 2019 and considered information regarding construction procurement, processes, project risks and the principal reasons for contract variations.

Following consideration of the current rules relating to the monitoring of contract variations as set out in the financial regulations, Members agreed to an individual (not cumulative) variation threshold of £25k and that the Chairman and Vice-Chairman as elected at the meeting (the current CFA Chairman and Leader of the Opposition) be delegated authority to approve any contract variations over the threshold and these would be reported to the subsequent Resources Committee thereby negating the need for further meetings of this Sub-Committee. Re-appointments for delegated authority to approve any contract variations would be made on an annual basis by the full Authority.

RESOLVED: - That the proceedings of the Resources Sub-Committee (Contract Variations) meeting held on 29 August 2019 be noted and endorsed.

53/19 REVISIONS TO THE STATEMENT OF ACCOUNTS 2018/19

The Core Financial Statements for the financial year ended 31 March 2019 were presented to the Resources Committee in May. The report confirmed that:-

- the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2019;
- this would be subject to review by the Authority's external auditors, Grant Thornton;
- that a further report would be presented to the Audit Committee in July, following completion of the external audit;
- at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer;
- Following this a final audited set of accounts would be presented to the Resources Committee for information.

In light of this, the Committee noted and endorsed the report and core financial statements, based on the various outturn reports presented on the same agenda.

Subsequent to that the full set of accounts were produced and signed by the Treasurer and submitted for audit to Grant Thornton. The External Audit Findings Report was considered as now presented.

The main issues within the report were as follows:-

- Audit opinion - the auditor would give an unqualified opinion on the financial statement;
- Value for money – the auditors concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The draft accounts had been adjusted to reflect the impact of the McCloud judgement on the pension liabilities. This adjustment which related to costs associated with both the Firefighter Pensions Scheme and the Local Government Pension Scheme, had arose following a legal challenge in respect of alleged unlawful discrimination arising from the Transitional provisions in the Firefighters Pension Regulations 2015. In 2018 the Court of Appeal ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounted to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it was envisaged that the Court would require changes to arrangements for employees who were transferred to the new schemes which would lead to an increase in pension scheme liabilities. Initial accounting advice provided by CIPFA was to treat this as a contingent liability, however following the Supreme Court's refusal to allow an appeal the accounting policy adopted by external auditors required the additional liability to be recognised in the accounts. Hence the accounts had been adjusted for this. It was noted that the actual impact of an increase in scheme liabilities arising from the judgement would be measured through the pension valuation process which determined employer and employee contribution rates. Excluding this adjustment there were no other changes to the core financial statements.

The Statement of Accounts was updated to reflect the changes identified and a revised statement of accounts as now presented was approved by the Audit Committee in July.

Given the statement of accounts had already been approved by the Audit Committee; Members determined there was no need to bring them in future to the Resources Committee.

RESOLVED: - That the Committee noted the revised Statement of Accounts as approved by the Audit Committee and agreed there was no need for the Resources Committee to review them in future.

54/19 FINANCIAL MONITORING 2019/20

The report set out the current budget position in respect of the 2019/20 revenue and capital budgets and performance against savings targets.

Revenue Budget

The overall position as at the end of July showed an underspend of £0.3m. Trends were being monitored to ensure that they were reflected in future years budgets as well as being reported to the Resources Committee.

At the May meeting, it was reported that there was a potential shortfall of £273k in Section 31 grant in relation to Business Rates Relief for 2019/20. Since the meeting, representations had been made to the Ministry of Housing, Communities and Local Government (MHCLG), along with other Local Authorities in the same position and as requested, evidence had been submitted to demonstrate our budgetary shortfall for 2019/20. Although confirmation had not yet been received, it was believed that the criteria as set out by MHCLG had been met in order for them to pay the one off grant of £273k. As such, the budgeted grant income for 2019/20 had not been reduced.

In addition, since the last meeting Section 31 grant funding had been received in relation to the Winter Hill incident of 2018. It had been anticipated claiming this under the Bellwin scheme, which had an element of self-funding (circa £109k), however as it was paid under Section 31 grant reimbursement had been for all bar £15k of the total costs, giving an underspend in 2019/20 of £94k.

In terms of the year end forecast, it was still early in the year however, the latest forecast showed an overall underspend of approximately £0.2m; largely reflecting ongoing vacancies and the additional income in respect of Winter Hill.

It was noted that in line with recent court/ombudsman rulings in respect of the pensionability of allowances a review of all our allowances was being undertaken to determine which were pensionable and which were not. Whilst the review was ongoing it was clear that if any allowances were made pensionable then this would impact on the revenue budget, however at this early stage we had not reflected this in the forecast as presented. Forecasts would be updated as the position became clearer, and Members would be kept updated.

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

Area	Overspend / (Under spend) to 31 July	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(36)	(64)	The variance to date and forecast outturn both reflected:- • An additional £58k of grant being allocated to the USAR Team by Government, this announcement only being made after the budget was set; • The additional income generated at Preston due to the extension of the lease arrangement with NWAS until September 2020, generating an additional £25k in 2019/20.
Winter Hill	(94)	(94)	As previously reported, we anticipated claiming under Bellwin for the Winter Hill incident, however we had now received the funding via Section 31 grant and had been reimbursed all bar £15k of the total costs, giving an underspend in 2019/20 of £94k.
Property	97	21	The overspend position related to premises repairs and maintenance, with lighting and drill yard works being carried out at several fire stations. This was a timing issue and reflected orders raised to date for work which had not yet been

			undertaken. Hence we were forecasting a broadly balanced year end position.
Other Non-DFM	(62)	360	The majority of the underspend to date reflected the additional council tax collection fund surplus of £59k due from one of the billing authorities as previously reported. The majority of the forecast overspend reflected the funding gap identified at the time of setting the budget in February.
Whole-time Pay (less Associate Trainers)	(97)	(275)	There were a number of factors contributing to the underspend on whole-time pay at the end of July. The most significant of which were: • The Service currently held four more vacancies than allowed for in the budget due to personnel retiring earlier than forecast and a slight shortfall in the number of recruits who commenced on station in April. This gave rise to an underspend of £25k. • However within the total staffing levels there were a number of vacancies at Watch Manager level, which were offset by Fire-fighters. This reflected the difficulty in filling some of the Trainer and Fire Safety posts, generating a further underspend of approx. £50k. • On a similar basis the number of personnel in development was higher than budgeted, which also meant that fewer personnel were in receipt of CPD payments than allowed for. Both of these gave rise to a further underspend of approx. £50k. • In addition a number of personnel had opted out of the pension scheme. The budget was based on the actual number of 'opt outs' at the time of setting the budget. However this had now increased to 35 with the 4 additional 'opt outs' generating a saving of approx. £20k.

			Offsetting this Associate Trainer costs were higher than budgeted, by £52k, reflecting additional usage of associates to cover vacancies at TOR and to meet temporary demand for trainers in excess of current staffing levels. As a result of these the overall whole-time budget was underspent by approx. £100k after 4 months of the year. However to put this into context that represented a variance of less than 1% of the budget at the end of July. Some of these variances were a timing issue, as new recruits started, personnel were promoted and as personnel achieved competency and were paid accordingly. This was reflected in the forecast outturn position shown, an anticipated underspend of £275k. However it was still early in the year to make any accurate predictions and we would continue to monitor and report on this.
RDS Pay	14	42	The budget was broadly in line at the end of July. This was reflected in the forecast outturn position, which was based on average activity levels during the second half of the year, and vacancies remaining at a consistent level.
Support staff (less agency staff)	(53)	(130)	The underspend to date and forecast related to vacant posts across various departments, which were in excess of the vacancy factor built into the budget. The majority of these vacancies were currently undergoing recruitment, although ICT and Knowledge Management remained problem areas. Note: agency staff costs to date of £39k were replacing vacant support staff roles, this accounted for less than 2% of total support staff costs.

Capital Budget

The Capital Programme for 2019/20 stood at £7.5m following on from slippage and other changes to the programme approved at May Resources Committee. Since then the budget had been amended to reflect the removal of the £0.2m budget relating to professional fees for the Preston Fire Station rebuild, following the May Resources Committee decision to put the project on hold. This adjustment took the revised budget to £7.3m.

A review of the programme was being undertaken to identify expected progress against the schemes during the year. The current position as summarised in appendix 2 and summarised below showed committed expenditure to the end of June of £2.9m and was now considered by Members: -

Area	Committed Expenditure to June 2019	Details
	£000	
Pumping Appliances	1,056	The budget allowed for the remaining stage payments for 7 pumping appliances for the 2018/19 programme, for which the order had been placed in January 2018. In addition, the budget allowed for the first stage payments of the 3 pumping appliances for the 2019/20 programme, given we were still finalising the vehicle specification for these, it appeared unlikely that any costs would be incurred in the current year.
Other vehicles	698	This budget allowed for the replacement of various operational support vehicles, the most significant of which were: • Two Command Support Units (CSU), the requirements were still being finalised with Service Delivery prior to undertaking a procurement exercise; and • One Water Tower, which had been delivered during quarter one. In addition to these, the budget allowed for various support vehicles which were reviewed prior to replacement. We currently anticipated completing the purchase of all of these other than the Command Support Units, which were likely to slip into next year.
Operational Equipment	4	This budget allowed for completion of the kitting out of three reserve pumping appliances, which were part of the 2018/19 programme, in addition to providing a £50k budget for innovations in fire-fighting to be explored. This budget also allowed for the progression of CCTV on pumping appliances, this project had

		been delayed due to capacity issues; hence it was not clear whether costs would be incurred in the current or next financial year.
Building Modifications	270	This budget allowed for: • Provision of a new workshop, BA Recovery and Trainer facility at STC. We had completed design work and were in discussion with Chorley BC relating to planning permissions. We had selected a procurement framework and were commencing works to appoint a contractor/partner to take designs forward. • Refurbishment of the Fire House, where work was nearing completion at the end of June (actually completed in July), and where we had incurred costs of £270k to date. • Provision of an area training hub within the Northern area, and whilst works were on-going on designing this facility, we required the approval of the PFI contactors before proceeding to the procurement stage; • Amendment to accommodation at Morecambe Fire Station to enable co-location with NWAS, however, as referred to above, prior to moving to the procurement stage we required the approval of the PFI contactors; • Based on the latest stock condition survey, several stations had identified upgrades to dormitory and shower facilities. Plans had been finalised and were currently being costed prior to moving to procurement. The actual timing of works would vary depending on Property department capacity to deliver the works. Anticipated in-year spend would depend upon the final procurement route for the above projects and the timeframe for approval to proceed being granted by the PFI contractors.
IT systems	860	The majority of the capital budget related to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, was offset by anticipated grant, however the timing of both expenditure and grant was dependent upon progress against the national project. This national project had suffered lengthy delays to date.

		The replacement station end project had now commenced with equipment ordered and due for delivery in the current calendar year, with installation following thereafter. 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 order had been placed and work was underway to install this. We anticipated this project being completed in the current calendar year The budget also allowed for replacement Storage Area Network, the hardware for which had been delivered in quarter one, and would be configured for use in due course. The balance of the budget related to the replacement of various systems, in line with the ICT asset management plan. Whilst procurement work was on-going to facilitate the replacement of some of these systems in the current year, we were still reviewing the need to replace others. Hence further updates on progress would confirm which replacements were being actioned in the current year and anticipated spend profiles.

The committed costs to date would be met by revenue contributions and usage of capital reserves.

Delivery against savings targets
The current position on savings targets identified during the budget setting process was reported. The performance to date was ahead of target largely due to savings in respect of staffing costs during the period. It was anticipated that we would meet our efficiency target for the financial year.

RESOLVED: - That the Committee noted and endorsed the financial position.

55/19 EQUALITY, DIVERSITY AND INCLUSION ANNUAL REPORT

The Equality Act required the Service, in the exercise of its functions to have due regard to:

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

These are often called the 3 main aims of the general duty and are detailed in the Equality Act 2010 s149. This Equality Duty was supported by 2 main specific duties which required public bodies to publish equality information at least annually and set and publish equality objectives at least every 4 years.

The Annual Equality, Diversity and Inclusion Report, as now presented, documented the Service's performance in relation to meeting its legal duties over the year 2018 – 2019, the workforce profile as at 31 March 2019 and future plans for the Service 1 April 2019 to 31 March 2020. The report included Gender Pay gap details. Using the calculation methodology across LFRS, the mean gender pay gap was significantly different than the national average at -2.56% (equating to a £0.30 positive difference in hourly pay between males and females to the benefit of females), with the median gender pay gap equating to 16.08% (equating to a £2.24 positive difference in hourly rates of pay between males and females to the benefit of males). Our Workforce Profile demonstrated that the trend continued in terms of the Service becoming more diverse in terms of the number of people employed from under-represented groups.

In response to a question from County Councillor O'Toole, the Director of People and Development confirmed that the Service had a number of staff voice groups which included LGBT and disabilities. He confirmed that for any applicant with a physical or mental condition, adjustments could be made but standards would not be compromised. In addition, the recording of information in relation to protected characteristics was reliant on what people were prepared to declare. The number of applications received from BME candidates was relatively low and of those applications, less than 10% were appointed, as was also the case for applicants who declared a disability.

The workforce profile was discussed. The Director of People and Development was pleased that the success rate for female promotions to watch manager positions was 30% and to station manager positions was 50%. Although the number of female applicants was generally low, the successful candidates appointed to watch manager positions accounted for 14.2% of all successful candidates and for station manager positions was 12.5%.

Members felt it would be useful to include previous years data to track performance and to compare our data against other fire and rescue services.

RESOLVED: - That the Committee noted and endorsed the Equality, Diversity and Inclusion Annual Report and agreed the Action Plan for 2018/19.

56/19 ORGANISATIONAL DEVELOPMENT PLAN

The Organisational Development Plan, as now presented set out the Service's approach to technical training, formal qualifications, continuous professional development, leadership and management development.

The Service recognised the importance of leadership as a driver for organisational improvement and managing change to support its aim of making Lancashire safer. Central to the development of leadership capability were the LFRS values (Service, Trust, Respect, Integrity, Valued and Empowered) which sat at the heart of all leadership principles and underpinned all communication and implementation activity associated with leadership.

The Service had developed a leadership framework, presented as appendix 2, as now considered. This was aligned to that of the National Fire Chiefs Council which also focussed on those areas which had been identified as key to delivering improvements within Lancashire. LFRS already had established within its appraisal process a behaviour matrix which supported Service improvement. In defining leadership LFRS had refreshed the Fire Professional definition of leadership as it applied to LFRS: Effective leadership in Lancashire was about developing a vision for the future, as well as understanding the current needs of LFRS. Outstanding leaders were those who engaged with others, energised them to overcome barriers, build confidence and trust and used coaching and support to deliver innovation, successful performance and great customer service. Leaders should be willing to challenge poor behavior wherever it occurred.

Understanding leadership was about setting positive, ambitious and a realistic future for the team, ensuring everything done was linked to organisational plans and values and for the benefit of the residents of Lancashire.

The Organisational Plan detailed the activity that had been delivered so far and that which would be delivered over the next twelve months in terms of delivering the Service ambitions in respect of leadership, organisational culture, professionalism and technical ability.

RESOLVED: - That the Committee noted and endorsed the Leadership Framework and Organisational Development Plan 2018-20.

57/19 LOCAL GOVERNMENT PENSION SCHEME DISCRETIONS

The Local Government Pension Scheme currently offered an Additional Voluntary Contribution (AVC) facility allowing members a tax-efficient way to purchase additional pension on a voluntary basis. At the present time 12 employees contributed to an AVC. A facility existed to improve the current AVC arrangements to a Shared Cost AVC Scheme, allowing employees to save for retirement in a cost efficient way. The main advantage for the employee was that they saved money in both Income Tax and National Insurance Contributions, which increased their benefits making it more beneficial for the employee when compared to paying AVCs in the standard way. The AVC funds continued to be invested with Prudential, via the Lancashire Pension Fund arrangements.

In the Shared Cost AVCs both the employee and LFRS contributed into the AVC fund. The employee paid £1 per month into the AVC fund and the remainder of their total monthly contribution amount was paid by LFRS, through a salary sacrifice arrangement. The employee made savings in Income Tax and National Insurance Contributions (NICs) on the amount of pay they had sacrificed. As a result of switching to a Shared Cost AVC the employees take home pay would increase when compared to paying AVCs in the standard way.

By offering employees the opportunity to swap to a salary sacrifice Shared Cost AVC Scheme, LFRS could save a sum equal to 14.3% of the total salary sacrifice amount.

To enable this change in the AVC facility it was a requirement to amend the current LGPS Discretions Policy, as now presented to allow the facility to offer Shared Cost AVC's so that employees could benefit from the arrangements described.

RESOLVED: - to amend the current Local Government Pension Scheme Discretions Policy to allow members the option to access the Shared Cost Additional Voluntary Contribution option.

58/19 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 27 November 2019 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 25 March 2020 and 20 May 2020 and agreed for 23 September 2020.

59/19 EXCLUSION OF PRESS AND PUBLIC

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

60/19 INTERNAL DISPUTES RESOLUTION PROCEDURE - STAGE 2

(Paragraph 1)

Members considered a report from the Director of People and Development regarding a Stage 2 application under the Internal Disputes Resolution Procedure. He explained the procedure to Members and the report outlined the facts of the case.

RESOLVED:- That the Committee requested further independent advice before determining an outcome.

61/19 HIGH VALUE PROCUREMENT PROJECTS

(Paragraph 3)

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

RESOLVED: That the Committee noted and endorsed the report.

62/19 URGENT BUSINESS (PART 2) - REQUEST FOR EXTENSION OF PAID SICK

LEAVE

REQUEST FOR EXTENSION OF PAID SICK LEAVE

(Paragraph 1)

The Director of People and Development tabled a report on the circumstances relating to a proposed extension of sick pay due to cease on 2 October 2019. Subject to the views of the Committee, it was reported that the Chief Fire Officer proposed to agree to the request for the extension of sick pay on the grounds that there were exceptional circumstances.

RESOLVED:- That the Committee agreed to extend the period of sick pay on the grounds that there were exceptional circumstances.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 November 2019

TREASURY MANAGEMENT MID-YEAR REPORT 2019/20

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 2019/20. Decisions taken were in accordance with the Treasury Management Strategy and were based on anticipated spending and interest rates prevailing at the time.

Recommendation

The Authority is asked to note and endorse the report and agree the additional MRP contribution of £187k.

Information

In accordance with the CIPFA Treasury Management Code of Practice and to strengthen members' oversight of the Authority's treasury management activities, the Resources Committee receives a treasury management 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 Authority's Director of Corporate Services and are used as a basis for this report to the Committee.

Economic Overview

The economic situation continues to be dominated by the uncertainty arising from the unknown impact of the UK's withdrawal from the European Union and the trade dispute between the worlds' two largest economies namely the USA and China. Despite this, the first quarter of 2019 showed relatively strong growth of 0.5% (1.8% year on year). However, it was considered that this was partly due to stockpiling ahead of the expected date for leaving the European Union and was followed by a contraction of 0.2% in the second quarter.

<u>Outlook for Interest Rates</u>
The uncertainty in the economy has influenced the forecast interest rates. The Bank of England has in recent times raised expectations of gradual increases in interest rates and this has been reflected in interest rate forecasts. Recent forecasts though have reduced this expectation. In their May forecast Arlinglose, Lancashire County Council's treasury advisers, were forecasting that the bank rate would see a 0.25% increase in March 2020 and September 2020. However, with the prevailing economic situation they have changed the forecast to reflect no change in the Bank Rate for the foreseeable future. However, there are risks to this forecast which could see rates moving in either direction.

Recent economic data has suggested that weaker economic growth has occurred, and is anticipated to continue, globally. One of the consequences of this together with the political uncertainty has been that Gilt yields have been volatile over the period and they have fallen to historically low levels. For example the 20 year Gilt yield fell from 1.35% to 0.88% from the end of June to the end of September

Forecast for the key rates provided by Arlingclose are shown below:

Period	Bank Rate	3 month money market	12 month money market	20-year Gilt Rate
Q4 2019	0.75	0.75	0.85	0.95
Q1 2020	0.75	0.75	0.85	1.00
Q2 2020	0.75	0.75	0.85	1.05
Q3 2020	0.75	0.75	0.85	1.10
Q4 2020	0.75	0.75	0.85	1.15
Q1 2021	0.75	0.75	0.85	1.15
Q2 2021	0.75	0.75	0.85	1.15
Q3 2021	0.75	0.75	0.85	1.15
Q4 2021	0.75	0.75	0.85	1.15
Q1 2022	0.75	0.75	0.85	1.15
Q2 2022	0.75	0.75	0.85	1.15
Q3 2022	0.75	0.75	0.85	1.15
Q4 2022	0.75	0.75	0.85	1.15

Treasury Management position and Policy

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The treasury management activity is influenced both by the position at the beginning of the year and the plans in year. The position at the start of the financial year are summarised in the Table below:

	Balance 31/3/19
	£m
Capital Finance Requirement	14.374
Less other debt liabilities	(14.177)
Borrowing Requirement	0.197
External borrowing	2.000
Reserves	36.017
Working capital	(2.045)
Available for investment	33.972
Investments	34.646

The table above shows that the Authority has a net borrowing requirement of £197k, which is below its actual borrowing of £2.0m, and reflects the additional voluntary MRP contributions that the Authority has made in order to generate cash to repay loans either on maturity or as an early repayment,. It is proposed that a further voluntary MRP contribution of £187k, in addition to the planned £10k, is made in order to reduce the borrowing requirement to zero, fully providing for existing loan repayment or to offset future loan drawdowns. (It is worth noting that we are not anticipating in year capital expenditure being funded from borrowing, but depending on the agreed 5 year programme currently being developed some borrowing may be required in future years).

In terms of investments it was anticipated that there may be some reduction in the level of reserves held, dependent upon the level of in-year capital expenditure. Given slippage in the programme this looks less likely at the present time.

Borrowing

There has been no new borrowing in the first six months of the financial year. This is consistent with the position that the current borrowing is already above the CFR and that the capital programme does not include any expenditure to be financed from borrowing.

The long term debt outstanding of £2m is from the Public Works Loan Board. The table below show the maturity profile of the Authority's borrowings, along with an interest rate paid.

Loan Amount (£m)	Maturity Date	Interest rate (%)
0.700	June 2037	4.480
0.650	June 2036	4.490
0.650	December 2035	4.490

Consideration is given to the early repayment of the loans. However, these would be subject to an early repayment (premuim) charge. The authority did repay debt in 2017/18 but at the time it was considered that the premuim on these loans was such that it was not financially beneficial to repay the loans. This is still considered to be the case with the estimated premuim charge to repay the three loans being £1.074m.

Investments

Both the CIPFA Code and the MHCLG 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. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment returns and having the value of reserves eroded by inflation.

The Authority principally invests in a call account provided by Lancashire County Council which pays the base rate. Each working day the balance on the Authority's Current Account is invested in this to ensure that interest is received on surplus balances within an acceptable risk framework. During the period all new investments were placed with the County Council via this arrangement. At 30th September there was a balance of £33.670m invested in LCC while the average for the period was £21.663m.

In addition, in order to increase the rate earned on current balances, the authority have placed fixed investments with other local authorities. To attract a higher rate of interest than is available on the call account these investments will need to be fixed for a longer period of time. During the year the following investments have been in place:

Start Date	End Date	Principal	Rate	Annual Interest	Interest 2019/20
30/6/14	28/6/19	£5,000,000	2.4%	£120,000	£28,932
18/10/18	19/10/20	£5,000,000	1.15%	£57,500	£57,500
19/11/18	18/11/19	£5,000,000	1.00%	£50,000	£31,644
19/12/18	19/06/19	£5,000,000	0.92%	£46,000	£9,956

At 30 September there was £10m fixed term investment in place therefore the total investment held at 30 September is £43.670m.

The overall the rate of interest earned during this period was 0.96% which compares favourably with the benchmark 7 day index which averages 0.69% over the same period.

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

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 indicators for 2019/20 were approved by the Authority on 18 February 2019 are shown in the table below alongside the current actual.

	2019/20 PIs	**Actual at 30/9/19**
Adoption of the CIPFA Code of Practice for Treasury Management	Adopted	Adopted
Authorised limit for external debt	£m	£m
A prudent estimate of total external debt, which does not reflect the worst case scenario, but allows sufficient headroom for unusual cash movements		
Borrowing	5.000	2.000
Other long-term liabilities	14.600	13.983
Total	19.600	15.983

	2019/20 PIs	Actual at 30/9/19
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	3.000	2.000
Other long-term liabilities	14.000	13.983
Total	17.000	15.983
Upper limit for fixed interest rate exposure		
Borrowing	100%	100%
Investments	100%	22.9%
Upper limit for variable rate exposure		
Borrowing	50%	0%
Investments	100%	77.1%
Upper limit for total principal sums invested for over 364 days (per maturity date)	25.000	10.000
Maturity structure of loan debt	**Upper/ Lower Limits**	**Actual %**
Under 12 months	100% / nil	0%
12 months and within 24 months	50% / nil	0%
24 months and within 5 years	50% / nil	0%
5 years and within 10 years	50% / nil	0%
10 years and above	100% / nil	100%

Revenue Budget Implications

The 2019/20 revenue budget for treasury management activity showed that anticipated income exceeded expenditure by £0.252m. Taking into account the activity for the first six months of the year and estimated cash-flow for the remainder of the year the latest forecast is shown below, and is reflected in the financial monitoring report elsewhere on the agenda:

	Budget	Forecast	Variation
	£m	£m	£m
Interest Payable	0.090	0.090	0.000
Minimum Revenue Provision	0.010	0.197	0.187
Interest receivable	(0.352)	(0.331)	0.021
Net budget	(0.252)	(0.044)	0.208

The variation on the MRP reflects the additional contribution proposed whilst interest receivable is slightly below budget as the anticipated increase in the interest rates in the last quarter of the financial year looks unlikely.

Regulatory Updates

A key source for long term borrowing is the PWLB. The PWLB lending is offered at a fixed rate above the gilt yields. For most authorities which qualify for the certainty rate, including the Lancashire Combined Fire Authority, this rate was 0.8% In recent months gilt yields and therefore loan rates have fallen to record low levels and as a result local authority borrowing from the PWLB has risen. In response to this HM Treasury announced on the 9th October that it was increasing the margin above gilts by 1%. Therefore for an authority which qualifies for the certainty rate then the interest rate on any new PWLB loan is 1.8% above the gilt yield rather than 0.8%.

This change does not have an immediate impact for the authority as it is not seeking new loans. However, should the capital financing position change then consideration will have to be given as to whether there are suitable alternatives to PWLB financing.

Financial Implications

Included within report above.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

The Treasury Management strategy is designed to minimise the Authority's financial risk associated with investment decisions, whilst maximising the return on any investments made. As such the adoption of the CIPFA's Code of Practice on Treasury Management and the monitoring arrangements in place ensure that any risks faced by the Authority are managed.

However, it must be acknowledged that there will always be a balance between risk and return and hence the strategy does not completely eliminate the risk of any further default on investments in the future.

Environmental Impact

None

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

Paper	Date	Contact
Treasury Management Strategy 2019/20	February 2019	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 November 2019

FINANCIAL MONITORING 2019/20
(Appendices 1 and 2 refer)

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 2019/20 revenue and capital budgets and performance against savings targets.

Recommendation

Resources Committee is asked to note and endorse the financial position.

Information

Revenue Budget
The overall position as at the end of September shows an underspend of £0.4m. We are monitoring any trends that develop to ensure that they are reflected in future year's budgets, as well as being reported to Resources Committee.

We previously reported that there was a potential shortfall of £273k in Section 31 grant in relation to Business Rates Relief for 2019/20. Although we have still not had confirmation, we believe that we met the criteria as set out by MHCLG in order for them to pay a one off grant of £273k. As such, we did not reduce the budgeted grant income for 2019/20.

In addition, since the last meeting we have received the balance of the Section 31 grant funding in relation to the Winter Hill incident of 2018. We had anticipated claiming this under the Bellwin scheme, which had an element of self-funding (circa £109k), however as it was paid under Section 31 grant we have been reimbursed for the full costs, leaving a surplus of £109k in year.

In terms of the year end forecast we had anticipated an underspend of approx. £0.3m due in the main to the additional grant for Winter Hill, for USAR and the adjustment to the council tax collection figure (as previously reported), As outlined in the Treasury Management Mid-Year Update report we are proposing making an additional voluntary Minimum Revenue Provision (MRP) payment of £187k, in order to reduce the borrowing requirement to zero, fully providing for existing loan repayment or to offset future loan drawdowns. After allowing for this the current year end forecast shows a £0.1m underspend.

It should be noted that in line with recent court/ombudsman rulings in respect of the pensionability of allowances we are undertaking a review of all our allowances to determine which are pensionable and which are not. Whilst the review is on-going it is clear that if any allowances are made pensionable then this will impact on the revenue budget, however at this early stage we have not reflected this in the forecast as presented. We will update the forecasts as the position becomes clearer, and provide an updated report to members at the appropriate time.

The year to date positions within individual departments are set out in Appendix 1, with major variances relating to non-pay spends and variances on the pay budget being shown separately in the table below: -

Area	Overspend / (Under spend) to 30 Sept	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(63)	(73)	The variance to date and forecast outturn both reflect:- • An additional £58k of grant being allocated to the USAR Team by Government, this announcement only being made after the budget was set • The additional income generated at Preston due to the extension of the lease arrangement with NWAS until September 2020, generating an additional £25k in 19/20.
Winter Hill	(109)	(109)	As previously reported, we anticipated claiming under Bellwin for the Winter Hill incident, however we have now received the funding via Section 31 grant and have been reimbursed £109k, the full cost of the incident.
Property	99	(8)	The overspend position relates to premises repairs and maintenance, with lighting and drill yard works being carried out at several fire stations. This is a timing issue and reflects orders raised to date for work which has not yet been undertaken. Hence we are forecasting a broadly balanced year end position
Other Non-DFM	(101)	593	The majority of the underspend to date reflects the additional council tax collection fund surplus of £59k due from one of the billing authorities as previously reported. The majority of the forecast overspend reflects the funding gap identified at the time of setting the budget in February and the additional MRP contribution outlined earlier.
Whole-time Pay (less Associate Trainers)	(71)	(227)	There are a number of factors contributing to the underspend on whole-time pay at the end of September. The most significant of which are:

			• The Service currently holds six more vacancies than allowed for in the budget due to personnel retiring earlier than forecast and a slight shortfall in the number of recruits who commenced on station in April. This gives rise to an underspend of £64k to date. • In addition, the grade mix of personnel and the high number paid at development rates of pay result in a further underspend of approx. £110k. • Overtime payments over the summer annual leave period have been higher than budgeted, reflecting the overall vacancies as highlighted above and the support provided to on-call stations, generating an overspend of £68k to date. Given the current recruits course is due to complete in January we anticipate the level of overtime reducing in the second half of the year. • In addition a number of personnel have opted out of the pension scheme. The budget is based on the actual number of 'opt outs' at the time of setting the budget. However this has now increased to 35 with the 4 additional 'opt outs' generating a saving of approx. £20k. • Offsetting this, Associate Trainer costs are £55k higher than budgeted, reflecting additional usage of associates to cover vacancies at TOR and to meet temporary demand for trainers in excess of current staffing levels. As a result of these the overall whole-time budget is underspent by approx. £71k after 6 months of the year. However to put this into context that represents a variance of less than 0.5% of the budget at the end of September. Some of these variances are a timing issue, as new recruits start, personnel are promoted and as personnel achieve competency and are paid accordingly. This is reflected in the forecast outturn position shown, an anticipated underspend of £227k. However this is dependent upon how many further personnel leave before reaching their projected retirement date.

RDS Pay	(1)	(18)	The budget is broadly in line at the end of September. This is reflected in the forecast outturn position, which is based on average activity levels during the second half of the year, and vacancies remaining at a consistent level.
Support staff (less agency staff)	(81)	(155)	The underspend to date and forecast relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. The majority of these vacancies are currently undergoing recruitment, with an assumed 3 month gap in costs (although recruitment of technical specialists in ICT and Knowledge Management continues to take longer). Note agency staff costs to date of £57k are replacing vacant support staff roles, this accounts for less than 2% of total support staff costs.

<u>Capital Budget</u>
The Capital Programme for 2019/20 stood at £7.3m, however following on from September Resources Committee we have amended the programme to remove the expected slippage as reported, hence the revised programme is now £3.6m. The slippage removed will be brought into the 2020/21 capital programme during the budget setting process, but for information are as follows:

Heading	Slipped £m	Reason
Pumping Appliances	0.130	Reflecting the anticipated first stage payments for the 3 appliances included in the 1920 original budget. As previously reported we are finalising the specification for these, therefore procurement is expected to take place in the new financial year.
Other Vehicles	0.455	Reflecting: • the anticipated stage payments for 2 Command Support Units (CSU), the requirements are currently being finalised with a view to undertaking a procurement exercise. However taking account of anticipated lead times the final costs associated with the purchase of these, £0.4m, will slip over into 2020/21 • The replacement of 2 pods which will be progressed in 2020/21
Operational Equipment & Future Firefighting	0.100	£100k associated with on-going research into CCTV on appliances has been removed to slip forwards to meet the future costs
Building Modifications	1.915	Reflecting: • Fleet workshop facility £1.2m in 2019/20. The procurement route has been selected and in being

		progressed, with any costs expected in the next financial year • Morecambe Fire Station - provision of an area training hub and works to allow co-location for NWAS £0.5m. Approval from the PFI contractors is underway, and once receive, both projects will move to a procurement phase • Enhanced station dormitory and shower facilities £0.2m. Part of the budget for this will need to move to 2020/21 due to ongoing costing of final plans, alongside departmental capacity to deliver the projects
IT systems	1.100	£1.0m relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system. This national project has suffered lengthy delays to date, and it is likely that the budget will slip into 2020/21, therefore both the budget and associated grant have been moved into 2020/21. The balance of the slippage relates to the replacement of various systems, in line with the ICT asset management plan, where progress to date indicates any eventual spend will be incurred in 2020/21.
Total	3.700	

In terms of the remaining programme, the current position, shown in appendix 2 and summarised below, shows committed expenditure to the end of September of £3.0m: -

Area	Committed Expenditure to Sept 2019	Details
	£000	
Pumping Appliances	1,056	The budget allows for the remaining stage payments for 7 pumping appliances for the 2018/19 programme, for which the order had been placed in January 2018. Phased delivery of these vehicles is anticipated in the last quarter of the financial year.
Other vehicles	776	This budget allows for the replacement of various operational support vehicles, the most significant of which was the Water Tower, which was delivered during quarter one. In addition to these, the budget allows for various support vehicles which are reviewed prior to replacement. We currently anticipate completing the purchase of the majority of these within the financial year.

Operational Equipment	4	This budget allows for completion of the kitting out of three reserve pumping appliances, which were part of the 2018/19 programme, in addition to providing a £50k budget for innovations in fire-fighting to be explored.
Building Modifications	287	This budget allows for: • Refurbishment of the Fire House, where work was completed in July, and where we have incurred costs of £287k to date. • Based on the latest stock condition survey, several stations have identified upgrades to dormitory and shower facilities. Plans have been finalised and are currently being costed prior to moving to procurement. Anticipated in-year spend will depend upon the final procurement route for the above projects and on Property department capacity to deliver the works.
IT systems	860	The replacement station end project has now commenced with equipment ordered and due for delivery in the current calendar year, with installation following thereafter. The budget also allows for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service. The order has been placed and work is underway to install this. We anticipate this project being completed in the current calendar year The budget also allows for replacement Storage Area Network, the hardware for which has been delivered in quarter one, and will be configured for use in due course. The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. Reviews carried out have identified two systems which do not need replacing at this time, hence the underspend shown. We are still reviewing the need to replace others, hence further updates on progress will confirm which replacements are being actioned in the current year and anticipated spend profiles.

The committed costs to date will be met by revenue contributions and usage of capital reserves.

Delivery against savings targets
The following table sets out the savings targets identified during the budget setting process, hence removed from the 2019/20 budget, and performance to date against this target: -

	Annual Target	Target at end of Sept	Savings at end of Sept
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	1.046	0.523	0.687
Reduction in cleaning budget	0.030	0.015	0.015
Reduction in Fleet insurance budget	0.020	0.026	0.023
Reduction in Organisational Development budget	0.053	0.010	0.009
Reduction in Training Centre catering budget	0.025	0.013	0.018
Procurement savings (these are savings on contract renewals, such as energy and laundry of fire kit contracts)	-	-	0.060
Balance – cash limiting previously underspent non pay budgets	0.038	0.019	0.019
Total	1.212	0.606	0.831

The performance to date is ahead of target, largely due to savings in respect of staffing costs during the period. It is anticipated that we will meet our savings target for the financial year.

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:		

APPENDIX 1

BUDGET MONITORING STATEMENT SEPT 2019	Total Budget	Budgeted Spend to Sep 2019	Actual Spend to Sep 2019	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay	Forecast outturn
	£000	£000	£000	£000	£000	£000	£000
Service Delivery							
Service Delivery	34,000	17,272	17,300	28	91	(63)	(73)
Winter Hill	-	-	(109)	(109)	-	(109)	(109)
Training & Operational Review	3,829	1,964	1,907	(57)	(35)	(22)	(41)
Control	1,191	1,191	1,191	(0)	-	(0)	(0)
Youth Engagement (inc PTV)	122	123	108	(16)	-	(16)	(1)
Special Projects	13	12	12	0	-	0	0
Strategy & Planning							
Fleet & Technical Services	2,696	1,267	1,319	52	10	42	42
Information Technology	2,550	1,366	1,317	(49)	(39)	(10)	(10)
Service Development	4,221	2,116	1,991	(126)	(127)	1	(33)
People & Development							
Human Resources	682	352	348	(3)	(6)	3	5
Occupational Health Unit	268	136	101	(36)	(2)	(34)	(59)
Corporate Communications	310	154	143	(11)	3	(14)	(28)
Safety Health & Environment	197	93	101	8	8	(0)	(1)
Corporate Services							
Executive Board	1,103	572	552	(20)	(25)	5	(2)
Central Admin Office	789	387	380	(7)	(2)	(6)	(6)
Finance	140	70	70	(0)	1	(1)	(1)
Procurement	993	684	683	(1)	(31)	30	20
Property	1,875	1,027	1,128	101	1	99	(8)
External Funding	-	1	1	0	0	0	0
Pay							(427)
TOTAL DFM EXPENDITURE	54,979	28,788	28,542	(246)	(152)	(93)	(732)
Non DFM Expenditure							
Pensions Expenditure	1,313	823	781	(42)	-	(42)	(10)
Other Non-DFM Expenditure	(242)	(2,190)	(2,303)	(113)	(12)	(101)	593
NON-DFM EXPENDITURE	1,072	(1,367)	(1,522)	(154)	(12)	(142)	584
TOTAL BUDGET	56,051	27,420	27,020	(400)	(164)	(236)	(148)

APPENDIX 2

CAPITAL BUDGET 2019/20	Revised Programme	Resources Nov	Revised Prog	Committed Exp	Year End Forecast	Slippage	Est final Cost	Over/ (Under) Spend
Vehicles								
Pumping Appliance	1.206	(0.130)	1.076	1.056	1.056	-	1.056	(0.020)
Other Vehicles	1.436	(0.455)	0.981	0.776	0.981	-	0.981	0.001
	2.642	(0.585)	2.057	1.832	2.037	-	2.037	(0.019)
Operational Equipment								
Operational Equipment	0.182	(0.100)	0.082	0.004	0.082	-	0.082	-
	0.182	(0.100)	0.082	0.004	0.082	-	0.082	-
Buildings Modifications								
STC Redevelopment	1.520	(1.170)	0.350	0.287	0.350	-	0.350	-
NWAS Co-location - Morecamb	0.120	(0.120)	-	-	-	-	-	-
Area training hub - Morecambe	0.400	(0.400)	-	-	-	-	-	-
Enhanced station facilities	0.275	(0.225)	0.050	-	0.050	-	0.050	-
Lancaster Replacement	-	-	-	-	-	-	-	-
Preston Replacement	-	-	-	-	-	-	-	-
	2.315	(1.915)	0.400	0.287	0.400	-	0.400	-
ICT								
IT Systems	2.118	(1.100)	1.018	0.860	0.860	-	0.860	(0.158)
	2.118	(1.100)	1.018	0.860	0.860	-	0.860	(0.158)
Total Capital Requirement	**7.257**	**(3.700)**	**3.557**	**2.983**	**3.379**	**-**	**3.379**	**(0.177)**
Funding								
Capital Grant	1.000	(1.000)	-	-	-	-	-	-
Revenue Contributions	2.000	-	2.000	2.000	2.000	-	2.000	-
Earmarked Reserves	-	-	-	-	-	-	-	-
Capital Reserves	4.257	(2.700)	1.557	0.983	1.379	-	1.379	(0.177)
Total Capital Funding	**7.257**	**(3.700)**	**3.557**	**2.983**	**3.379**	**-**	**3.379**	**(0.177)**

LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 November 2019

THE 2020/21 LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL CONSULTATION PAPER

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

Executive Summary

The report sets out details of the Government's latest consultation document relating to 2020/21 Local Government Finance Settlement.

As the deadline for response did not provide sufficient time to take to the Committee a response was agreed by the Chair and Vice-Chair of the Committee and duly submitted in October.

Recommendation

The Committee is asked to note and endorse the response submitted.

Information

The Local Government Finance Settlement is the basis by which the Government allocates out funding to individual authorities, as part of the Local Government Finance Settlement.

The Ministry of Housing, Communities and Local Government issued a consultation document titled "Local Government Finance Settlement 2020/21 – Technical Consultation" on 3 October, with a deadline for a response of 31 October.

The proposed 2020/21 settlement is framed in the context of the overall Spending Review package, and sets out more detail on the Government's plans for allocating these resources to local authorities.

As part of the work on the Spending Review the Government has heard the concerns of local authorities about the need for certainty and stability to enable budget planning for the next financial year. Reflecting this, the one-year Spending Round and the plans for a more substantial Spending Review exercise in time for 2021-22, they propose to implement a 'roll-forward' settlement for 2020-21, which will provide stability for the majority of funding sources for local government.

The Government remains committed to reforming local government finance. In 2020 the Government plans to carry out a multi-year Spending Review, which will lay the groundwork for reforms. They will continue to work towards their aim to implement these reforms in 2021-22, including a full reset of business rates retention baselines.

Whilst the document talks about the increased specific funding allocated to authorities, such as the Better Care Fund and New Homes Bonus, this does not affect Fire and Rescue Authorities. As such the only significant area which we feel warrants comment relates to council tax referendum principles.

The document outlines the following council tax referendum principles for 2020/21:-

- a core principle of up to 2% (this was 3% for 2018/19 and 2019/20)
- an adult social care precept for local authorities with responsibility for adult social care of 2% on top of the core principle;
- no referendum principles for Mayoral Combined Authorities or town and parish councils.

This means that Fire would be limited by the general principle i.e. a council tax increase of up to 2%.

Question 3: Do you think that there should be a separate council tax referendum principle of 2% or £5, whichever is greater, for shire district councils in 2020-21?

Question 4: Do you have views on the proposed package of council tax referendum principles for 2020-21?

Response Submitted

Whilst the Spending Review provided a boost across the public sector in general, there was no detail about the impact on Fire Authorities. Without this it is hard to know how much funding will need to be raised via council tax and therefore hard to provide an informed response.

However regardless of the eventual funding we do not believe the 2% threshold will be sufficient and can see no logical reason for reducing this from its current 3%. We have argued for many years that greater flexibility should be provided to all authorities and have suggested that Fire Authorities should be allowed the same flexibilities as District Councils have previously been allowed, i.e. the £5 limit. Depending on the level of funding in 2020 we may still make an argument about providing flexibility in line with this.

Lancashire FRA has shown significant restraint regarding council tax increases, having the second lowest increase of any FRA between 2010/11 and 2019/20, an increase of just £5.83 (9.2%), and if you look at increases over the period of the four year settlement the same restraint has been shown, with Lancashire increasing council tax by just 7.1% compared with the maximum permissible under the referendum principles of 10.0%. In order to put this into context, for Lancashire each 1% of foregone council tax equates to £0.3m. As a result we feel that reducing the referendum limit to 2% is inequitable, penalising those Authorities who have previously shown restraint. It is also worth noting that the Fire Authority precept makes up a very small percentage of the overall council tax bill, approx. 4% in Lancashire, therefore any increase in our element of council tax has a relatively low impact on the overall council tax bill. Despite making up such a low amount of the overall council tax bill the cost of holding a referendum is far more significant than for any of the local councils, including the Unitaries and Lancashire, as our referendum would need to cover the whole of the County, at a cost which is estimated in the region of £1.5m. In order to recoup this cost we would need to increase council tax by 7% (5% more than the proposed referendum). Increasing council tax by a more marginal figure, 3% in line with previous thresholds, would only generated £0.3m more than the proposed 2% threshold, and as such it is impossible to justify the cost of holding a referendum to the local public against this size of increase.

We note that Mayoral Combined Authorities are not subject to a referendum threshold, and we can see no argument for this waiver applying just to those authorities, who incorporate the local Fire Service. This very much feels like a two tier system forcing all Authorities into a mayor model.

Financial Implications

None at this stage, although obviously the eventual settlement and council tax referendum principles impact on the final budget.

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

Clearly the outcome of the consultation will have an impact on our level of grant funding received in future years, and as such it is a major risk to the Authority. However, until the outcome of the consultation is known it is impossible to be more specific.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Local Government Finance Settlement 2020/21 – Technical Consultation Paper	October 2019	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 November 2019

LOCAL GOVERNMENT PENSION SCHEME VALUATION

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

Executive Summary

The report sets out the results of the Local Government Pension Scheme Tri-Annual Valuation, as at 31 March 2019.

Recommendation

The Resources Committee is requested to note the position and approve the pre-payment of contributions, net of the surplus drawdown covering the three year period

Information

The 2019 valuation has been published and this shows a marked improvement to the scheme as a whole, assets have grown significantly more than liabilities, hence the scheme as a whole has moved from a 90% funded scheme to 100% funded. Meaning that for the scheme as a whole any deficit recovery costs will be significantly reduced, although it must be recognised that the position will vary for each Authority. (No allowance has been made for the potential impact of the McCloud pension ruling, which has previously bene reported to Members.)

The valuation has also identified that future service rates need to increase by an average of 2.5%, recognising changes to scheme benefits and also changes in future assumptions such as mortality and investment returns.

As Members are aware the overall valuation is extremely volatile, linked to investment returns and changing assumptions.

It is also worth highlighting that the Government has consulted on moving from the current three year valuation cycle to a four year cycle form 2024. If this is agreed the next valuation, effective from 2023, will only set rates for two years to 2025, with the four year cycle commencing thereafter. As part of the process consideration is being given to the ability to undertake interim valuations or for administering authorities to amend employer contributions rates in between valuations, both of which would incur significant additional administrative costs.

<u>Lancashire Fire Authority Fund</u>
As Members will recall at the time of the last tri-annual valuation of the Local Government Pension Scheme the Fire Authority had a funding surplus of £4.3m, which was being drawdown over the agreed 16 year recovery period, £336k per annum.

The latest valuation shows a marked increase in the surplus, now standing at £9.7m, a funding level of 120%. The recovery period over which this is drawdown has also shortened to 13 years (in theory it reduces by 3 years each valuation). As a result the in-year drawdown will increase to £745k in 2020/21 rising to £804k in 2022/23.

Offsetting this is the increase in future service rate, which has increased from 14.7% to 17.1%, an increase of 2.4% which based on our current projected payroll equates to £135k additional cost.

As such our profile of anticipated employer contributions for future service costs and drawdown of the surplus is shown below:-

	Future Service Costs	Surplus Drawdown	Net In-Year Cost
2020/21	£956k	(£745k)	£211k
2021/22	£994k	(£774k)	£220k
2022/23	£1032k	(£804k)	£228k
	£2,982k	(£2,323k)	£659k

(No allowance has been made for the potential impact of the McCloud pension ruling, which has previously bene reported to Members.)

The Service has an option to pre-pay these amounts, either at the start of each year or as a one-off covering all three years, and receives a discount for doing so. Pre-paying this at the start of each year results in an overall saving of £11k, whilst pre-paying all three years in April 2020 results in a saving of £36k, this equates to a return of approx. 3.8% per annum, and as such it is recommended that the Authority takes advantage of the one-off prepayment covering all three years:-

	Future Service Costs	Surplus Drawdown	Net Cost
Monthly charges	£2,982k	(£2,323k)	£659k
Pre-payment each year	£2,927k	(£2,279k)	£648k
Prepaid in one amount	£2,818k	(£2,195k)	£623k

Any variation between actual costs due and the amount pre-paid will be actioned at the end of the valuation period.

McCloud Judgement

As previously reported the McCloud judgement relates to the protection arrangements provided to members that were close to retirement. The Court of Appeal found that these arrangements were unlawful on the grounds of age discrimination. A suitable remedy to this will need to be agreed, and until such time as this is agreed the impact is unknown. However the actuary has undertaken some sensitivity costing based on a possible remedy, and this shows a potential increase in future service costs and a potential reduction in our overall funding surplus, resulting in an annual increase in cost in excess of £0.1m, compared with the position set out above. It must be stressed that this is only to provide an indication of the potential scale of increase that may follow.

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:		

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LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE
Meeting to be held on 27 November 2019

SINGLE USE PLASTIC PROMOTION
(Appendices 1 – 4 refer)

Contact for further information:
Bob Warren, Director of People and Development - Telephone 01772 866804

Executive Summary

During a recent Combined Fire Authority Meeting a question was asked by a Member how the Service was reacting to the increasing environmental concern in respect of the use of single use plastics. This report outlines the actions taken so far.

Recommendation

The Resources Committee is asked to note the current position.

Information

At a recent Combined Fire Authority meeting the question was posed by a Member as to what the Service had done in respect of eliminating single use plastics. This issue remains under review, and options to reduce use remain under consideration. The steps undertaken so far are:-

Hydration

The most significant action undertaken so far; in addition to educating staff in respect of environmental concerns is the issue of a reusable water bottle to each employee in March 2019 (both operational and support staff), to encourage individuals to both remain hydrated and it was intended that this would significantly reduce the need for single use bottles (either purchased by the individual or utilised at incidents during the working day). The issue of the water bottle has been well received and favourably commented on, but as an emergency service involved in strenuous activity in hot conditions,(sometimes for extended periods) situations will continue to exist that require the provision of small water bottles.

Purchasing

In provision of consumables, the issue of single use plastic is considered, alongside other relevant decision making factors – inevitably it is a compromise between cost, availability and practicality of provision, whether the item purchased is for use on the fire ground or other areas such as in the Service Training Centre canteen facilities. This area is being kept under review. Alterations to our arrangements will normally have a negative financial impact during any tendering process and this aspect is considered in setting any qualification requirements.

Promotion

In addition the Service has undertaken promotional work in respect of single use plastic, a brief summary of which is as follows:-

- May 2018 – routine bulletin item and intranet article – Reasons to refuse single use plastic and the BIG 4 – bags, bottles, coffee cups and straws.
- July 2018 - routine bulletin item and intranet article – promotion of Plastic Free July.
- Summer 2018 – ‘BYOB..(Bring Your Own Bottle) bottle, cup or mug’ poster and coffee machine/water cooler labels ‘refill here’.
- March 2019 – reusable hydration bottles distributed to all staff to reduce use of plastic water bottles at incidents and support the stay hydrated promotion supporting staff wellbeing (as indicated above).
- May/June 2019 - Environmental Update sent first to Environmental Champions and Station Managers and then via routine bulletin – included reducing waste and prompt to look out for Plastic Free July.
- June/July 2019 - Plastic Free July – sent to Environmental Champions firstly then promoted across the service via routine bulletin.
- July 2019 – SHE team met with Procurement/Stores team to discuss sustainable procurement including reducing packaging from suppliers.
- August 2019 – ‘Focus On’ sheet sent to Environmental Champions for them to look at single use bottles of water, 5 litre containers, stockpiling of dated products – all to focus on reduction on single use plastic.
- Assistant SHE Advisor working with Environmental Champions to reduce single use plastic and carrying out an audit looking at waste created to understand where reductions can be made by suppliers / LFRS staff.

Some examples of the posters used are attached as appendices 1-4.

The SHE department and local Environmental champions are seen as the mechanism to advance the Service’s position together with open consideration of alternative approaches where single use plastic is involved.

Financial Implications

None from this report.

Sustainability or Environmental Impact

None. Measures taken will reduce single use plastics.

Equality and Diversity Implications

Not applicable.

Human Resource Implications

Not applicable .

Business Risk Implications

Measures taken are to align activities with public sentiment.

Local Government (Access to Information) Act 1985

List of Background Papers

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

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APPENDIX 1

SINGLE USE PLASTIC!

How many reasons do you need to refuse single-use plastic?

- Plastic pollutes our oceans and shorelines
- Plastic kills marine life and birds
- Plastic enters our food chain
- Only a small percentage of plastic is actually recycled
- Every bit of plastic made will still be here in hundreds of years

Further information is available in the Environment section on the LFRS Intranet under What You Need to Know, Safety, Health and Environment. Posters will be issued to stations and offices shortly.

5th June is World Environment Day. IEMA (Institute for Environmental Management and Assessment) are campaigning for people to give up the BIG four plastics:

- Bags
- Bottles
- Disposable Coffee Cups
- Straws

For more information visit their website and find out how to #PledgeLessPlastic

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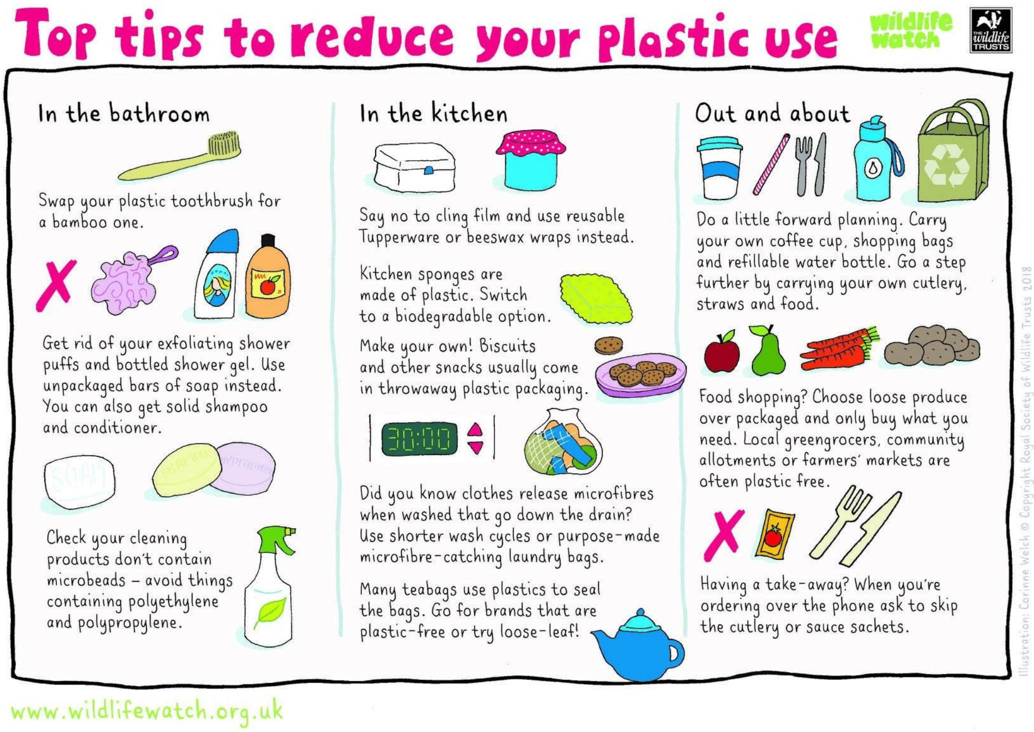
Top tips to reduce your plastic use
wildlife watch
The Wildlife Trusts
In the bathroom
Swap your plastic toothbrush for a bamboo one.
Get rid of your exfoliating shower puffs and bottled shower gel. Use unpackaged bars of soap instead. You can also get solid shampoo and conditioner.
SOAP
Check your cleaning products don't contain microbeads – avoid things containing polyethylene and polypropylene.
In the kitchen
Say no to cling film and use reusable Tupperware or beeswax wraps instead.
Kitchen sponges are made of plastic. Switch to a biodegradable option.
Make your own! Biscuits and other snacks usually come in throwaway plastic packaging.
30:00
Did you know clothes release microfibres when washed that go down the drain? Use shorter wash cycles or purpose-made microfibre-catching laundry bags.
Many teabags use plastics to seal the bags. Go for brands that are plastic-free or try loose-leaf!
Out and about
Do a little forward planning. Carry your own coffee cup, shopping bags and refillable water bottle. Go a step further by carrying your own cutlery, straws and food.
Food shopping? Choose loose produce over packaged and only buy what you need. Local greengrocers, community allotments or farmers' markets are often plastic free.
Having a take-away? When you're ordering over the phone ask to skip the cutlery or sauce sachets.
Illustration: Corinne Welch © Copyright Royal Society of Wildlife Trusts 2018
www.wildlifewatch.org.uk

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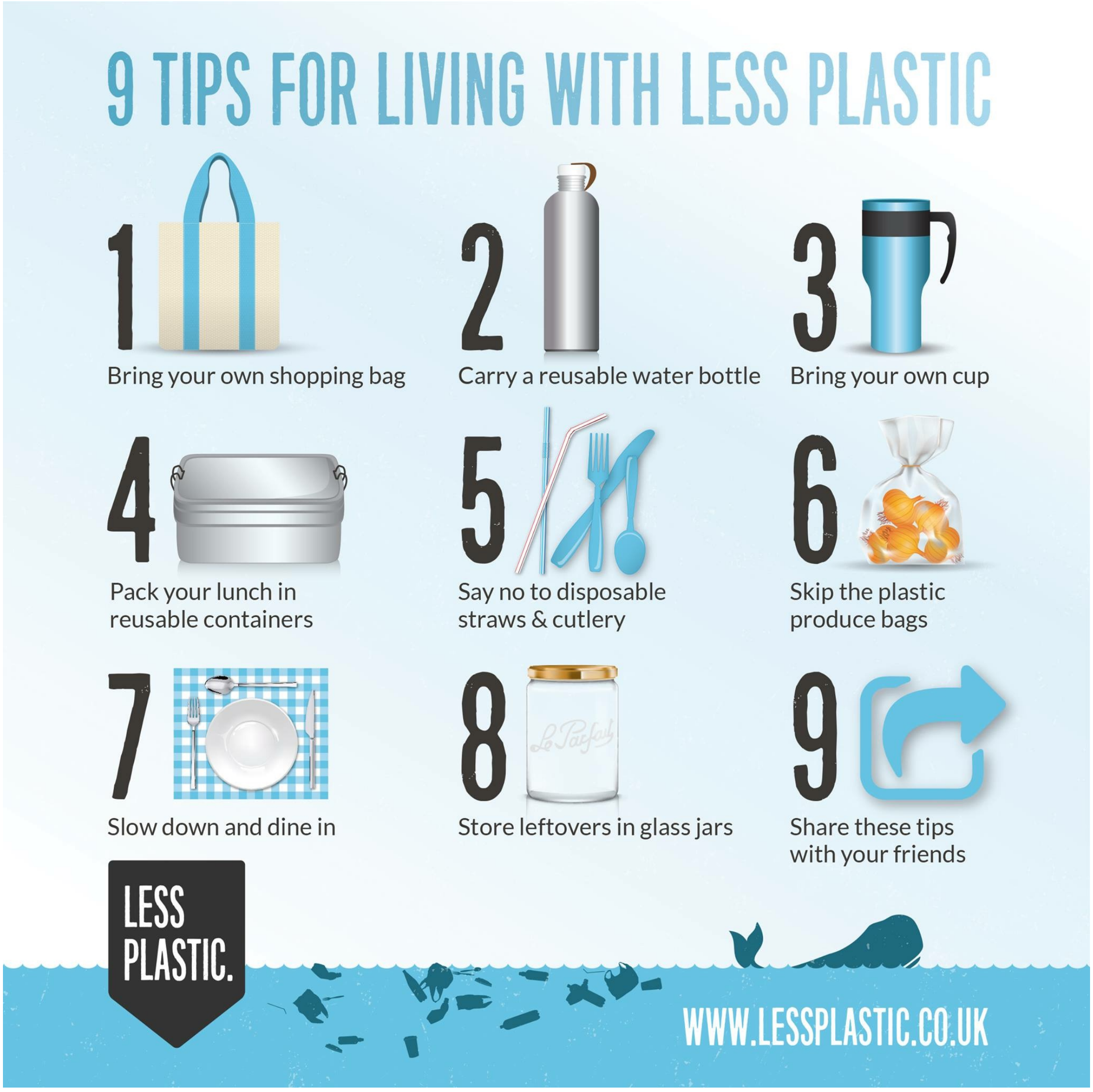
9 TIPS FOR LIVING WITH LESS PLASTIC
1
Bring your own shopping bag
2
Carry a reusable water bottle
3
Bring your own cup
4
Pack your lunch in reusable containers
5
Say no to disposable straws & cutlery
6
Skip the plastic produce bags
7
Slow down and dine in
8
Store leftovers in glass jars
9
Share these tips with your friends
LESS PLASTIC.
WWW.LESSPLASTIC.CO.UK

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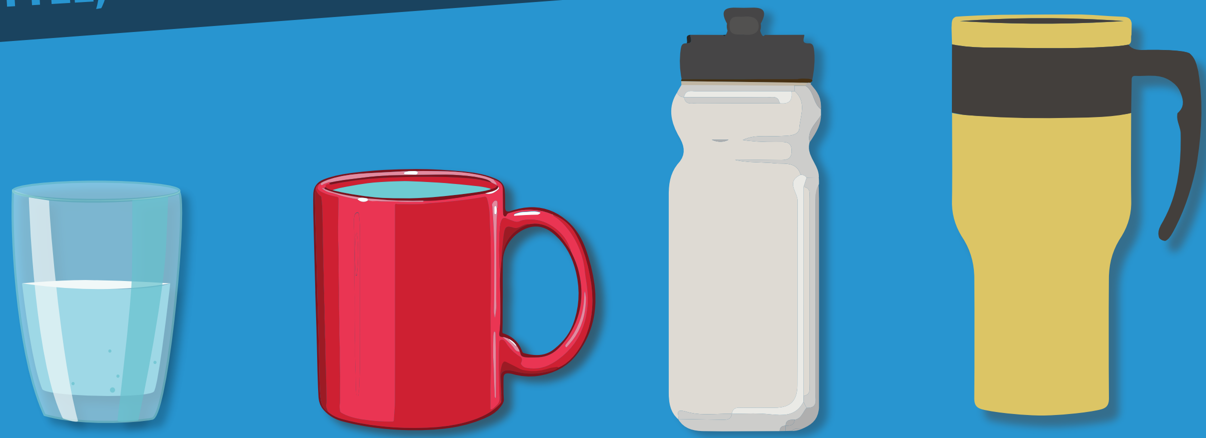
B.Y.O.B.

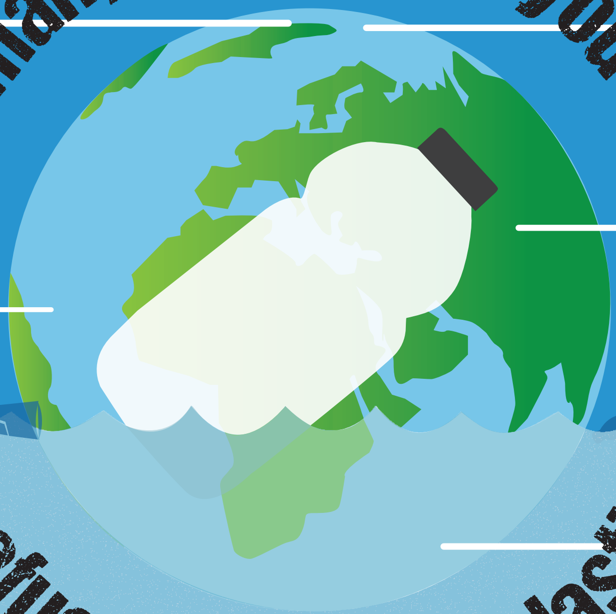
Lancashire Fire and Rescue Service

Bring your own...

BOTTLE, CUP OR MUG - LET'S GET RE-USING!



How many reasons do you need to refuse single-use plastic?



- Only a small percentage is recycled
- Plastic pollutes our oceans and shorelines
- Every bit of plastic made will still be here in hundreds of years
- Plastic kills marine life and birds
- Plastic enters our food chain

Reduce
Reuse
Recycle

For more information and tips on reducing single use plastic, check the Environment section under What You Need to Know on the LFRS Intranet.

making Lancashire **safer**

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of the Local Government Act 1972.

Agenda Item 12

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