

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 7 July 2021, at 10.00 am in the Washington Hall, Service Training Centre, Euxton.

MINUTES

PRESENT:

Councillors

T Williams (Chairman)
D O'Toole (Vice-Chair)
K Iddon
J Mein
G Mirfin
M Pattison
J Rigby (for R Woollam)
S Serridge

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)

In attendance

K Wilkie, Fire Brigades Union

1-20/21 APOLOGIES FOR ABSENCE

Apologies were received from County Councillors Lorraine Beavers, Stuart Morris and Ron Woollam.

2-20/21 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

3-20/21 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 24 March 2021 be confirmed as a correct record and signed by the Chairman.

4-20/21 MATERNITY POLICY

The Director of People and Development updated Members on the proposed changes to the Service's Maternity Policy following a review of the arrangements as part of Equality, Diversity and Inclusion (EDI) considerations.

Members noted that the Maternity and Childcare policy set out the entitlements and benefits for pregnant employees, adoptive parents and fathers. The aim of the policy was: to set out a consistent and supportive approach across the Service; to increase awareness about the provisions available for employees; to ensure the protection of the health and well-being of the mother and their child/unborn child and to ensure compliance with legislative requirements. It set out the contractual and statutory maternity rights to which all pregnant employees were entitled both before and after the birth of a child. The policy dovetailed with the Service's Flexible Working policy.

The Service wanted to be an employer of choice and for the role of a firefighter to be appealing as a role of preference to a diversity of applicants. With this in mind, policies had been reviewed and consultation with staff and our Trade Union colleagues undertaken in relation to improving maternity and paternity provision.

It was proposed to increase maternity pay provisions available to women on maternity leave to 26 weeks full pay. This meant that in future, women commencing their maternity leave would receive full pay for the first 6 months of their maternity leave period.

It was noted that the Service's adoption leave arrangements had always mirrored maternity arrangements and this would continue. This supported the Service's diversity objectives in terms of supporting those employees who wish to become adoptive parents. Those accessing paternity pay would be entitled to 2 weeks full pay following the birth of the baby.

Subject to Member approval, the new policy would be subject to final consultation with staff and would be supported by a comprehensive update on the Service's flexible working policy which was also being updated in light of new hybrid working arrangements going forward.

It was proposed to make the changes with effect from any utilisation of these provisions from August.

In response to questions raised by County Councillor Pattison, the Director of People and development confirmed that shared parental leave was a legal requirement and that consultation on the policy had already taken place with Trade Unions, Focus Groups and the Equality, Diversity and Inclusion Forum.

RESOLVED: - That the report be noted and endorsed.

5-20/21

YEAR END TREASURY MANAGEMENT OUTTURN 2020/21

The report set out the Authority's borrowing and lending activities during 2020/21. All borrowing and investment activities undertaken throughout the year were in accordance with the Treasury Management Strategy 2020/21.

Economic Overview

The coronavirus pandemic dominated 2020/21. The start of the financial year saw lockdowns which caused economic activity to grind to a halt in many countries including the UK. The Bank of England cut Bank Rate from 0.75% to 0.10% in March 2020 and it remained at this level throughout the 2020/21 financial year. The UK government also provided a range of fiscal stimulus

measures, the size of which had not been seen in peacetime. GDP figures for the financial year were detailed in the report. In its March 2021 interest rate announcement, the Bank of England noted that while GDP would remain low in the near-term due to Covid-19 lockdown restrictions, the easing of these measures meant growth was expected to recover strongly later in the year. The UK government's response included the furlough scheme which had protected many jobs. Despite this unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. The year also saw an agreement on a Brexit trade deal.

Inflation remained low over the 12-month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. A similar economic picture had occurred in various economies. The gilt yields (which were a key determinant of borrowing costs for local authorities) fluctuated in line with the economic conditions.

Borrowing

The borrowing of the Fire Authority had remained unchanged at £2m in 2020/21. The current capital programme had no requirement to be financed from borrowing until 2025/26 and the debt related to earlier years' capital programmes. While the borrowing was above its Capital Financing Requirement (CFR), the underlying need to borrow for capital purposes, this was because the Fire Authority had a policy of setting aside monies in the form of statutory and voluntary minimum revenue provision (MRP) in order to repay debt as it matured or to make an early repayment. Consideration had been given to repaying the £2m but the penalties incurred on repaying the loans early would incur significant costs currently estimated at £0.967m. Also, any early repayment meant that cash balances available for investment would be reduced and hence interest receivable would also be reduced. It was estimated that if interest rates on investments were at 1.4% over the remaining period of the loan, then repaying the loans during 2020/21 would be broadly neutral. It was concluded that the repayment was not considered to be financially beneficial at the time. However, the situation was periodically reviewed by the Director of Corporate Services.

Investments

Both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and the Ministry of Housing, Communities and Local Government (MHCLG) Guidance required the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. 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 (LCC) (credit rating by Moodys Aa3) was the main counterparty for the Authority's investments via the operation of a call account. However, the Treasury Management Strategy did permit investment with other high-quality counterparties including other local authorities. During the year the cash held by the Authority had been positive with the highest balance being £52.1m and the lowest £34.0m. The monies invested with Lancashire County Council ranged between £34.2m to £14.0m. Therefore, given that the expectation was that interest rates would remain low the opportunity was taken to undertake some

fixed term investments with other local authorities rather than keeping all the monies in the call account. This aimed to enhance the investment return while keeping the credit risk low. At the year-end, fixed investments of £15m were in place. However, during the year one fixed term investment had matured.

The table on page 15 of the agenda pack showed the interest earned on fixed term investments. Investing in these fixed term deposits, rather than leaving the money in the call account had increased the interest received in 2020/21, although having fixed term deals did reduce the liquidity of the investments.

The call account provided by LCC paid the base rate throughout 2020/21. Each working day the balance on the Authority's current account was invested in this to ensure that the interest received on surplus balances was maximised. The average balance in this account during the year was £24.7m earning interest of £0.025m.

The overall interest earned during this period was £0.253m at a rate of 0.60% which compared favourably with the benchmark 7-day index (Sterling Overnight rate 7 day rate) which averaged 0.17% over the same period.

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

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

County Councillor O'Toole stated that the Authority was in a very fortunate position in relation to its level of reserves. The Authority's borrowing as set out on page 15 of the agenda pack was at an average interest rate of 4.49% with the return on investments between 1.15% to 1.45%. County Councillor O'Toole proposed that a report be brought to a future meeting for consideration as to whether it was sensible to continue to pay the interest on the Authority's borrowing; this proposal was seconded by Councillor Williams.

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators had been determined against which performance could be measured. The revised indicators for 2020/21 were presented alongside the actual outturn position.

RESOLVED: - That the Committee: i) noted and endorsed the outturn position report; and, ii) agreed that a report would be brought to a future meeting on whether repayment of the Authority's borrowing would be financially beneficial.

6-20/21 YEAR END CAPITAL OUTTURN 2020/21

The report presented the year end position for the Authority's capital programme including how this had been financed and the impact of slippage from the 2020/21 capital programme into the 2021/22 programme.

At the March meeting the revised capital budget was approved at £2.0m following a re-assessment of potential slippage from the approved 2020/21

programme into the next financial year; reflecting forecast timing of spend. It was noted that since then 2 areas of work had progressed further in 2020/21 than originally expected, these were:

- The STC workshop building works - progress was valued on 31 March at £1.7m, £0.6m more than the earlier forecast had predicted – therefore £0.6m had been moved back from 2021/22 budget into 2020/21. The overall contract sum remained the same, this was purely a timing issue which demonstrated the difficulties in accurately forecasting the phasing of large capital projects which spanned financial years;
- £15k of reserve appliance equipment was received in March which had been anticipated in April 2021.

As a result of these £0.6m of the slippage had been reversed, increasing the 2020/21 capital programme with a corresponding reduction in the 2021/22 programme. This change left the final capital programme for 2020/21 at £2.665m. Total capital expenditure for the year was £2.654m, reflecting £21k of slippage and an overspend of £10k, as set out in the report as now considered, and in appendix 1.

Prudential Indicators 2020/21

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

The revised indicators, after allowing for the various changes to the capital programme, were set out in the report alongside the actual outturn figures which confirmed that performance had been within approved limits.

The Impact of Slippage from the 2020/21 Capital Programme into the 2021/22 Programme

The original approved capital programme for 2021/22 was £11.3m. In addition to the timing adjustments for the STC workshop and reserve appliances the budget for North West Ambulance Service (NWAS) co-location works at Morecambe Fire station had been removed, following the mutual decision by NWAS and Lancashire Fire and Rescue Service not to proceed with the project. As a result, the final proposed capital programme for 2021/22 was £10.5m, which was funded from capital grant, revenue contributions, and capital reserves. The revised programme and its funding were considered by Members as set out in appendix 2. It was clear that due to the Covid-19 pandemic more slippage would occur during 2021/22 and the potential effect of this would be reviewed. An updated position would be provided to Members at the next meeting.

The report set out revised prudential indicators for 2021/22-2023/24, showing that the revised programme remained affordable, prudent and sustainable.

Capital Reserves

The capital programme over the next 5 financial years would use all the capital reserves and receipts.

County Councillor Mirfin queried the life span, depreciation, and replacement planning for fire appliances. In response, the Director of Corporate Services advised that the vehicle life span varied by vehicle and usage however the approved live for a service vehicle was 6 years, a fire appliance was 12 years,

and an aerial ladder platform had a life of 15 years with depreciation written off over the approved life span.

Councillor Williams added that most appliances had a second-hand value. The Director of Corporate Services confirmed that older vehicles were used at the Service Training Centre and that 2 main options for disposal were at auction or through Operation Florian (a UK Fire Service Humanitarian charity) which shipped vehicles abroad to other countries struggling for equipment.

County Councillor O'Toole commented that new vehicles went to stations where usage was high and older vehicles then moved to another station with not as much usage. The Assistant Chief Fire Officer added that there was slight variance in purchase year on year but broadly speaking circa a twelfth of the fleet was replaced every year. He advised that 7 new appliances had arrived in last 6 months which had all been allocated to busier stations ie: to cities, Preston, Lancaster and the large urbanisations; the previous appliances at those stations (would be 3 – 4 years old) and these would move to smaller urbanisations and quieter stations. The optimum for the Fleet Manager was for a vehicle to leave the fleet before it lost its reliability. Vehicles did move to Service Training Centre as part of the training fleet where reliability was less critical.

RESOLVED: - That the Committee: -

- i) Noted the capital outturn position, the financing of capital expenditure 2020/21 and the prudential indicators; and
- ii) Approved the revised 2021/22 capital programme, and the financing of this and the prudential indicators.

7-20/21 YEAR END REVENUE OUTTURN 2020/21

This report presented the revenue outturn position and the impact of this on usable reserves. The annual budget for the year was set at £57.339m. The final outturn position showed net expenditure of £56.976m, giving a total underspend for the financial year of £363k which was broadly in line with previous forecasts.

As set out in the Year End Usable Reserves and Provisions Outturn report (reported elsewhere on the agenda) it was proposed to transfer £15k to the DFM earmarked reserves and given the Authority's current general fund balance stood at £6.0m and the scale of the capital programme, it was proposed the remaining balance of £348k be transferred into the capital funding reserve, reducing future borrowing requirement.

The detailed final revenue position was set out in Appendix 1, with major variances being summarised in the report.

The Director of Corporate Services highlighted:

Covid-19

Funding of £1.6m had been received of which £1.3m had been spent to date, with the balance being held in an earmarked reserve. It was expected that any further costs associated with the ongoing pandemic would be met from this fund. £0.1m of underspends would be transferred from savings against the Fleet &

Technical Services budget in relation to the reduced use of vehicles during the pandemic.

Non DFM

The £792k variance reflected the £440k funding gap identified at the time of setting the budget in February 2020 and the additional £341k revenue contribution to capital outlay approved during the year.

Wholetime Pay

The underspend was attributed to reduced staffing costs, with early retirements and resignations resulting in average of 18 vacant wholetime posts throughout the course of the year.

Delivery against savings targets

It was noted that performance exceeded the efficiency target for the year largely due to savings in respect of staffing costs and procurement savings.

Councillor Williams commented that £189k had been put back into reserves in relation to back log maintenance programmes. He was concerned that there had been in some cases a 30% increase in basic raw materials used in the construction industry which could impact on forward work plans for maintenance. The Director of Corporate Services advised that one of the risks presented to the Audit Committee was the risk of increasing prices. He confirmed that prices of raw materials had started to increase, and delays had started to be seen. Given the ability to drawdown against this earmarked reserve, the 2021/22 revenue budget should be able to cope with the increase, but this may be challenging going forwards. In addition, contracts let on construction projects were coming through over budget which would need to be considered in the future, particularly in relation to the capital programme.

RESOLVED: - That the Committee noted and endorsed the outturn position on the 2020/21 revenue budget, the associated transfer of £15k to the DFM earmarked reserve and a contribution of £348k to the capital funding reserve.

8-20/21 YEAR END USEABLE RESERVES AND PROVISIONS OUTTURN 2020/21

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

The Authority approved the 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 fed the Authority's overall reserves position, which was considered by Members as summarised in the report.

General Reserve

These were non-specific reserves 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 needed 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 were transferred into/out of reserves in order to meet future potential commitments. Given the Authority's current general fund balance stood at £6.0m and the scale of the capital programme was proposed that the revenue underspend, £348k was transferred into the capital funding reserve, reducing future borrowing requirement, hence the year-end General fund balance would remain at £6.0m compared with the target range agreed by the Authority at its February meeting, £3.5m to £10.0m.

Earmarked Reserves

The reserve covered all funds, which had been identified for a specific purpose. The overall reserves level had increased significantly from £7.8m to £10.6m, with the detailed position in respect of the various earmarked reserves considered by Members as set out in the report.

The Director of Corporate Services highlighted:

PFI Equalisation Reserve – This reserve was to smooth out the annual net cost to the Authority of both PFI schemes and would be required to meet future contract payments. The level of reserve required to meet future contract payments had been updated to reflect current and forecast inflation levels.

Covid-19 Ringfenced Funding – The Government had provided £1.4m of total funding to meet costs associated with the Covid pandemic. This balance represented the unused funding held by the Authority at the year end which was available to support activities in 2021/22.

Section 31 – Business Rate Relief Grant – The Government provided Section 31 rate relief grant to individual billing authorities in order to cover the additional in year reliefs provided as a result of the pandemic. Business rates were split between the Government, billing authorities, Lancashire County Council and the Authority with the Authority receiving 1% of the total. As such this grant should be split in line with business rates. However, the Government allocated all of this to billing authorities to aid cash flow, with the correct distribution anticipated in the new year once the outturn business rates position had been agreed. As such an accrual had been made for the Authority's anticipated share in 2020/21 which needed to be carried forward via this reserve in order to meet the business rate collection fund shortfall that had arisen due to these additional reliefs.

Carry forward 2020/21 underspend relating to timing of activities – within the revenue budget there were a number of items that had been delayed by the pandemic and which therefore needed funding carried forward from 2020/21 to 2021/22. These related to areas such as fire safety, training provision, property maintenance, organisational development and digital transformation, and these were a timing issue. This carry forward was already reflected in the year end revenue budget position.

Specific grant carry forward 2020/21 – This reserve carried forward unspent specific grants provided in 2020/21 in respect of: i) protection uplift grant; ii) building risk review grant and iii) Grenfell infrastructure grant. It was anticipated that these funds would be utilised in the new financial year.

It was noted that a number of the reserves were short-term holding reserves and as such it was anticipated drawing down these and reducing the earmarked reserves to approximately £5m by March 2026, the majority of which would be attributed to the private finance initiative reserve and the insurance reserve.

Capital Reserves and Receipts

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

Capital Receipts were generated from the sale of surplus assets, which had not yet been utilised to fund the capital programme. In 2020/21, £163k was utilised of capital reserves. However, this was more than offset by the proposed transfer of £200k from earmarked reserves and of £348k from the general reserve, representing the in-year revenue underspend. In addition, the sale of vehicles generated £17k capital receipts.

As a result of this the Authority currently held £19.6m of capital reserves/receipts. However, the 2021/22-2025/26 capital programme, after allowing for slippage showed all of this being utilised over the next 5 years of the capital programme.

North West Fire Control Reserves

The North West Fire Control (NWFC) reserves brought forwards formed part of the opening balances, and the draft accounts' balances were included in the report and the draft accounts. This was not available for use as it was the Authority's share of the NWFC required reserves.

Provisions

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

- Insurance Provision, which covered potential liabilities associated with outstanding insurance claims. A review of current claims outstanding and our claims history had been undertaken and as such the provision had reduced slightly to £500k at 31 March 2021.
- Retained Duty Service Provision, this provision dated back to the Part Time Workers Regulations 2000 and, given all cases, where possible, had been resolved, the remaining balance had been removed from this provision.
- Business Rates Collection Fund Appeals Provision, which covered the Authority's share of outstanding appeals against business rates collection funds, which was calculated each year end by each billing authority within Lancashire based on their assumptions of outstanding appeal success rates, as part of their year-end accounting for the business rates collection fund.

The overall position at year end showed the Authority (excluding draft North West Fire Control balances) holding £37.8m of reserves and provisions.

At this level the Treasurer believed these were adequate to meet future requirements in the medium term.

In response to a question raised by Councillor J Rigby, the Director of Corporate Services advised that the Authority had 2 Private Finance Initiative (PFI) Schemes: i) Morecambe and Hyndburn which ran until 2032 and therefore had 11 years left to run and ii) North West PFI Scheme jointly with Cumbria and Merseyside Fire and Rescue Services which had 16 stations in total of which 4 were in Lancashire (Chorley, Blackburn, Burnley and Fleetwood); this was a 25 year scheme which ran until 2038 therefore had 17 years left to run.

Councillor Williams queried whether the Authority had an obligation to maintain a percentage of its reserves and if so, what was the minimum value. In response the Director of Corporate Services advised that the auditors and inspectorate referred to a 5% turnover for the general fund reserve. However, the accounting body CIPFA had issued guidance several years ago that directed every Authority to do an annual assessment based on risks unique to that Service which looked at the entire financial risks (both internal and external) and report the outcome of the assessment of risk as part of the budget setting process. He advised that the level of capital funding reserves would be linked to the level of the capital programme. In addition, earmarked reserves were considered for specific purposes, so would vary depending on the circumstances they were required for. It was noted that the Authority considered its Reserves and Balances Strategy report each February. The Director of Corporate Services emphasised that there was a balance between the level of reserves held and the capital programme and how to finance any funding gap which would otherwise require borrowing.

RESOLVED: - That the Committee: -

- i) noted the additional £2,995k of earmarked reserves and the £44k reduction in provisions, contributing to the overall revenue outturn position;
- ii) agreed the year end transfers associated with the revenue outturn, £348k to the capital funding reserve and £15k to earmarked reserves;
- iii) noted the transfer of £200k from earmarked reserves into capital reserves;
- iv) agreed the year end capital outturn drawdown from capital reserves of £163k;
- v) noted £17k of capital receipts; and
- vi) noted and endorsed the overall level of reserves and provisions as set out in the report.

9-20/21

CORE FINANCIAL STATEMENTS 2020/21

This report presented the Core Financial Statements, which formed part of the Statement of Accounts for the Combined Fire Authority for the financial year ended 31 March 2021.

The Statements took 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 and were prepared in line with recommended accounting practice which was not accounted for on the same basis as for council tax. As such this meant they did not match the details in the Outturn reports, and hence the sections provided an overview of each statement and a reconciliation between Outturn reports and

the Core Financial statements where appropriate.

The Statement of Accounts contained estimated figures that were based on assumptions about the future or that were otherwise uncertain, relating to areas such as pension liabilities, property asset valuations etc. Estimates were made taking into account historical experience, current trends or other relevant factors.

It was noted that the 2020/21 core statements presented did not include the adjustments required for recognising the Authority's share of the collection fund income position for both Council Tax and Business rates, as the information had not yet been received from all billing authorities (this would be updated for the final version of the accounts).

It was noted that the Authority's 25% share of North West Fire Control Ltd accounts ended 31 March 2021 had been included.

Narrative Report

This set out the financial context in which the Combined Fire Authority operated and provided an overview of the financial year 2020/21 as well as details of future plans.

Comprehensive income and expenditure account

This statement showed the accounting cost in the year of providing services. It was a summary of the resources that had been generated and consumed in providing services and managing the Authority during the last year. It included 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 Director of Corporate Services highlighted:

Revenue Support Grant – the Authority did not receive any Revenue Support Grant during 2019/20 due to the Lancashire business rates pool pilot for part of that year. Instead, the national non-domestic rates increased to compensate for this.

Non-Domestic Rates Redistribution – 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. The change between years reflected the reduction for the business rates pool applicable during 2019/20 only.

Business rates S31 grant – This grant was allocated to the Authority by the Government and related to small business rates reliefs allowed by the Government as part of the localisation of business rates.

Business Rates Reliefs S31 grant – The 2020/21 balance related to additional business rates relief funding announced prior to 31 March which would be received during 2021/22 but related to 2020/21.

Covid 19 S31 Grant – This reflected the S31 grant received during 2020/21; the majority of which had been spent during the year as previously reported and the balance transferred into an earmarked reserve for future use.

Actuarial (Gains) / Losses on Pensions Assets and Liabilities – This was a notional charge arising from the Actuary changing their assumptions on which future pensions liabilities were calculated, such as mortality rates, future interest rates, pay and pension increases, return on assets. In 2019/20 actuarial gains reduced the overall pensions liability, as the forecast rates of the consumer price index had reduced from the year before, largely due to market uncertainties surrounding the pandemic.

Total Comprehensive Income and Expenditure – This showed the total cost of providing services, presented in accordance with generally accepted accounting practices, rather than showing the amount funded from taxation.

Movement in reserves statement

This statement showed the movement in the year on the different reserves held by the Authority, analysed into i) 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) and ii) Unusable Reserves (which include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences ‘between accounting basis and funding basis under regulations’).

Balance Sheet

This showed the value as at the date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) were matched by the reserves held by the Authority.

The Director of Corporate Services advised that the reason the balance sheet showed a £764.9m deficit was the Pensions Reserve of £887.4m which related to adjustments required under International Accounting Standards 19 (IAS19). This was a notional reserve required in order to offset the net liability of the Authority in respect of the pension schemes. Members noted that appendix 6 showed the core statements with the pensions accounting for the IAS19 removed showed the Authority’s net worth at £123m.

Cash flow statement

This statement showed the changes in cash and cash equivalents of the Authority during the reporting period. The statement showed how the Authority generated and used cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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 2021. This would be subject to review by the Authority’s external auditors, Grant Thornton which was scheduled to take place in June and July. A further report would be presented to the Audit Committee in September, following completion of the external audit. At this meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer.

Councillor Williams commented, in relation to council tax and business rates as detailed on page 53 of the agenda pack, that there was a national shortfall in the collection of council tax and business rates which was hoped would improve but

could affect the Authority going forwards. The Director of Corporate Services advised that part of the budget setting process included looking at the collection fund deficit / surplus on an annual basis and the medium-term financial plan estimated any recovery period.

RESOLVED: - That the Committee noted and endorsed the Core Financial Statements.

10-20/21 FINANCIAL MONITORING

The Director of Corporate Services advised that this report provided an update on several matters which may affect the outturn position for the 2021/22 revenue budget, and it set out the current budget position in respect of the 2020/21 revenue and capital budgets and performance against savings targets.

Section 31 Grant in respect of Business Rates Relief

Part of the Authority's funding came from business rates in the form of a locally retained share and a top-up grant. As reported elsewhere on the agenda, the 2021/22 revenue budget assumed the receipt of £1.9m S31 grant to offset the shortfall carried forwards on the business rate collection fund. This grant was anticipated to be received later in the financial year after the completion of the Business Rates 2020/21 year-end returns were submitted by billing authorities and reconciled by central government, most likely in Q4 2021/22. As the grant directly related to the year-end returns the amount was still not certain.

Local Tax Income Guarantee scheme

The government had announced proposals to support billing authorities by providing an additional grant equivalent to 75% of the shortfall in collection rates, for both Council Tax and Business Rates, during 2020/21. When the 2021/22 budget was set, billing authorities were unable to reliably estimate the grant due therefore this sum was excluded from the budget setting process. As the shortfalls could only be calculated as part of the billing authority collection fund outturn reporting, the results were currently expected to be available during July 2021. In early June the Ministry for Housing, Communities & Local Government (MHCLG) confirmed that an 'on account' payment of the sum of £0.074m for Business Rates would be received, being 50% of their estimate of our entitlement under this guarantee scheme. The corresponding estimate for Council tax was nil. Once information was received from billing authorities Members would be updated.

Pay awards 2021/22

In line with the Government stance in November 2020 on future public sector pay restraint, a pay freeze across all groups of staff was assumed for the 2021/22 budget for anyone earning over £24,000 per year. Subsequently pay offers of 1.5% had been made to all staff groups (support staff effective from 1 April, and operational staff [grey book] effective from 1 July), the operational staff offer was agreed on 28 June, resulting in an increase in cost of £436k across wholetime and on-call pay budget. It would be prudent to assume that the support staff (green book) offer would be the minimum increase applied in the year, a further £104k budgetary increase.

Wholetime Staffing

In setting the wholetime pay budget a number of assumptions were made around the timing of retirements and how many staff would retire ahead of their

forecast retirement date. Forecasts for the 2021/22 budget were updated, which assumed that all personnel would retire once accruing full benefits, and that there would be 6 'early leavers' during the year (this included retirements from future years forecasts, resignations and dismissals). The uncertainty surrounding changes to pensions made forecasting early retirements extremely difficult, hence at the time of setting the budget it was highlighted that "actual retirements may vary from this due to the impact of either the transitional pension arrangements or making allowances pensionable, which may increase early leavers leading to a higher vacancy factor". This had proven to be the case, with a large number of wholetime retirements in the first two months of the year, largely due to the anniversary of the Day Crewing Plus (DCP) allowances being made pensionable (the Firefighters pension scheme rules stated that after 12 months contributions, retirement benefits for 1992 scheme members were calculated based on final salary including the DCP allowances). Within this period there were 9 early leavers, this being in addition to higher leavers in quarter 4 last year compared to the budgeted allowance. Overall, this meant that at the end of May there were 13 fewer wholetime members of staff than budgeted, resulting in an underspend of circa £50k against budgeted establishment levels. It was too early to determine whether this trend would continue thought the year. It was noted that 13 vacancies throughout the year equated approximately to a £500k underspend.

It was also noted that the wholetime budget anticipated two recruits cohorts during the year, with 48 recruits in total, however current numbers only allowed for 38 recruits in-year, with a subsequent increase in recruit numbers in 2022/23 to compensate. This in-year shortfall resulted in an underspend of approx. £200k. As such the anticipated underspend would more than offset the unfunded pay award in year.

Revenue Budget

The overall position as at the end of May showed an underspend of £0.2m, largely as a result of the wholetime early leavers along with underspends reflecting continued vacant support posts and reduced activity levels. It was too early in the financial year to produce a forecast of the outturn position however, this would be carried out prior to the next meeting and included in the next financial monitoring report.

The year-to-date positions within individual departments were set out in the report 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)	Reason
	£'000	
Service Delivery	(20)	The underspend for both the first two months largely related to the reduced activity levels, in particular for car allowances and smoke detector purchases, as was the case last financial year.
Covid-19	-	We have now received total funding of £1.6m since March 2020, having received an additional £0.2m during May 2021. We have spent £1.4m to date, with the balance being held in an earmarked reserve. The spend to date was as

		<p>follows:</p> <ul style="list-style-type: none"> • Additional staff costs £375k; • Additional cleaning £55k; • Consumable items (e.g. sanitiser) £174k; • Remote working and video conferencing equipment £181k; • PPE £663k. <p>It was expected that any further costs associated with the ongoing pandemic, such as enhanced cleaning, additional staff costs etc. would be met from this fund. In addition, it was proposed to transfer £10k per month from travel budgets into the Covid-19 reserve in relation to the reduced use of vehicles during the pandemic, in line with the previous year's treatment. This would be reviewed as the year progressed and activities returned to normal.</p>
Property	(19)	<p>Whilst non-essential maintenance was re-instated prior to the end of the last financial year, departmental capacity due to a vacant surveyor post, and the ongoing situation meant that there was an underspend to date. This situation was expected to rectify once the department was fully staffed.</p>
Non DFM	42	<p>The majority of the overspend reflected the £0.3m funding gap identified at the time of setting the budget in February.</p>
Wholetime Pay	(111)	<p>As reported above, there had been several early leavers during the first two months, in excess of the number expected in the budget which caused an underspend. In addition to this, there were some timing issues in terms of claims for overtime etc., which were particularly relevant in April, where we fully accrued for outstanding claims as part of the year end process but where there can be a delay in personnel submitting claims for these.</p>
On Call Pay	20	<p>This overspend related to slightly higher activity related payments in the first two months than expected.</p>
Associate Trainers pay	12	<p>Associate trainers were used during wholetime recruitment to provide greater flexibility to match resource to demand. As the budget was currently phased evenly over the year, this created timing differences, which in this case had resulted in a marginal overspend.</p>
Support staff (less agency staff)	(70)	<p>The underspend related to several vacant posts across various departments, which were in excess of the vacancy factor built into the budget. This was partly offset by spend on agency staff, which amounted to £8k in the period. Although recruitment activity had now recommenced, due to the backlog caused by the</p>

		cessation, it was unknown when some of these posts might be filled. Members would be provided with an update in the next report, which would include forecasts for the rest of the financial year. No allowance for the potential additional costs associated with the support service pay offer had been included at this stage, as the offer had not been accepted.
Apprentice Levy	(4)	The apprentice levy was 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 reflected the various pay budget underspends reported above.

Spend would continue to be closely monitored against the 2021/22 budget to identify any vacancy trends that developed to ensure that they were reflected in future years budgets as well as reported to Members.

Capital Budget

The Capital budget for 2021/22 stood at £10.5m. There had been very little spend against the resultant 2020/21 programme, just £0.7m mainly against Property projects. Given the amount of the budget and the spend to date it was clear there would be significant slippage (due to the timing of spend between financial years). This would be discussed with the relevant budget holders and the next report would identify the amount to be moved into 2022/23 including the reasons for the proposals. The current position against the programme as set out below:

Pumping Appliances	The budget allowed for 7 replacement pumping appliances spread across the 2019/20 to 2021/22 capital programmes, for which the specification was being reviewed following delivery of the previous 7 vehicles in the latter part of the previous financial year. It was currently anticipated starting a procurement exercise in the second half of the financial year.
Other vehicles	This budget allowed for the replacement of various operational support vehicles, the most significant of which were: - <ul style="list-style-type: none"> • Two Command Support Units (CSU); • Two Water Towers; • One Turn Table Ladder (TTL); • One all-terrain vehicle. Differing procurement routes were being considered for each of these, and it was planned to use national frameworks where appropriate. In addition to these, the budget allowed for various support vehicles which were reviewed prior to replacement but were being progressed with several on order.
Operational Equipment / Future Firefighting	This budget allowed for: - <ul style="list-style-type: none"> • completion of the kitting out of three reserve pumping appliances, which was almost complete; • the progression of CCTV on pumping appliances; • replacement of capital items from the equipment replacement plan, namely light portable pumps,

	<p>defibrillators and a replacement drone.</p> <p>Again, where appropriate, it was intended to make use of existing procurement frameworks to progress these once specifications were completed.</p>
Building Modifications	<p>This budget allowed for:</p> <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. Spend during the period was £0.6m. Work was expected to be completed within the budget in October 2021; • South Shore refurbishment and extension had a small amount of spend, reflecting work completed in the new financial year. This project was now complete; • Enhanced facilities at Blackpool and Hyndburn fire stations, which were under review prior to moving to the procurement phase; • £0.3m budgetary provision for replacement drill towers; • £0.2m in relation to fees associated with progressing the business case for a SHQ relocation. <p>As with the revenue budget, current departmental capacity to progress these was limited, but was expected to improve in the next few months.</p>
IT systems	<p>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 on progress against the national project. This national project had suffered lengthy delays to date, hence was included within slippage into the next financial year. The balance of the budget related to the replacement of various systems and ICT hardware, in line with the ICT asset management plan. Whilst initial scoping work was ongoing to facilitate the replacement of some of these systems in the current year, the need to replace others was still being reviewed.</p>

The committed costs to date would be met by revenue contributions.

Delivery against savings targets

The performance to date was already ahead of the annual target, largely due to staffing vacancies and procurement savings. It was anticipated that the savings target for the financial year would be met.

RESOLVED: - That the Committee:

- Noted the uncertainties surrounding the Business Rates relief and Local Tax Income Guarantee grants;
- Noted the effect of the 1.5% pay award for grey book (operational) personnel;
- Noted the potential effect of the 1.5% pay award offered to support staff; and
- Noted and endorsed the financial position.

11-20/21 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 29 September 2021 at 1000 hours in Washington Hall, at Lancashire Fire and Rescue Service Training Centre, Euxton.

Further meeting dates were noted for 1 December 2021 and 30 March 2022 and agreed for 6 July 2022.

12-20/21 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.

13-20/21 ISO 45001:2008 HEALTH & SAFETY AND ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEMS ASSESSMENT AUDIT REPORTS

(Paragraphs 1 and 2)

The Director of People and Development presented the report which included a comprehensive and confidential appendix.

ISO 45001 and ISO 14001 were international best practice standards for how organisations managed Health and Safety and the Environment. The specifications gave requirements for occupational health and safety and environmental management systems to enable an organisation to control its risks and improve performance. Each year the Service was externally audited to ensure both these systems continually improved and met the needs of the Service.

Commencing 13 April 2021 LFRS was audited for 9½ days for re-certification to the ISO 14001:2015 standard and year two surveillance for continuation for ISO 45001:2018. The British Assessment Bureau carried out the audit against the 2 standards. The Service received no major or minor non-conformances with 5 opportunities for improvement identified. It was noted that as part of the audit, where areas for improvement had been identified by LFRS staff, it was intended these be developed into an internal, improvement action plan which would be taken forward by the Health, Safety and Environment Advisory Group.

RESOLVED: - That the report be noted and endorsed.

14-20/21 PENSIONS UPDATE

(Paragraphs 1, 3 and 4)

The Director of People and Development updated Members on the current position in respect of fire service pension scheme issues.

RESOLVED: - That the Committee noted the recommendations as outlined in the report.

15-20/21 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 the report.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood