Lancashire Combined Fire Authority
Resources Committee

Wednesday, 12 July 2023, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

Minutes

Present:	
Councillors	
R Woollam (Chair)	
D O'Toole (Vice-Chair)	
G Baker	
L Cox	
T Hurn	
M Pattison	

Officers
J Johnston, Chief Fire Officer (LFRS) S Brown, Director of Corporate Services (LFRS) E Sandiford, Head of Human Resources (LFRS) J Meadows, Head of Finance (LFRS) J Hutchinson, HR Business Partner (LFRS) D Brooks, Principal Member Services Officer (LFRS)
In attendance
K Wilkie, Fire Brigades Union

1/23	**Apologies for Absence**
	Apologies were received from County Councillors L Beavers, J Mein, S Serridge and B Yates.
2/23	**Disclosure of Pecuniary and Non-Pecuniary Interests**
	None received.
3/23	**Minutes of the Previous Meeting**
	The Chair of the Committee, CC Woollam welcomed Mr Steven Brown, Director of Corporate Services to the meeting. **Resolved**: That the Minutes of the last meeting held on 29 March 2023 be confirmed as a correct record and signed by the Chair.

4/23	**Year End Treasury Management Outturn 2022/23**
	The report set out the Authority's borrowing and lending activities during 2022/23. All treasury activities undertaken throughout the year were in accordance with the Treasury Management Strategy 2022/23. **Economic Overview** The key economic features of the year were increasing inflation and the subsequent rises in interest rates as central bankers tried to bring inflation under control. Global inflation continued above central bank targets largely as a consequence of the Ukraine war while in the UK economic outlook remained relatively weak with forecasts indicating there was a chance of a mild recession. Starting the financial year at 5.5%, the annual Consumer Prices Index (CPI) measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February to 10.4% before falling back a little to 10.1% in March. However, the expectation was that the rate of inflation would fall potentially quite sharply over the next few months as the impact of the large increases in energy costs fall out of the calculation. The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3 month/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%. In response to the high inflation The Bank of England increased the official Bank Rate several times during the year. In March 2022 the Bank Rate stood at 0.75%. However, the Monetary Policy Committee (MPC) increased the rate at every meeting in the financial year. Recent increases of 0.5% in December and February and then 0.25% in March saw the rate rising to 4.25% (as of June 2024 it is now 5%). Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility. **Borrowing Overview** The borrowing of the Fire Authority had remained unchanged at £2m. The loans were taken out with the Public Loans Works Board (PWLB) in 2007 when the base rate was 5.75%; with 3 loan amounts, maturity dates and respective interest rates set out in the report. The total interest paid on borrowing was £90k which equated to an average interest rate of 4.49%. The current capital programme had no requirement to be financed from borrowing until 2026/27 and the debt related to earlier years' capital programmes. While the borrowing was above its Capital Financing Requirement (CFR), which was 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 a penalty cost (referred to as a premium cost). The penalty fluctuated with PWLB repayment rates but at the end of the financial year it was estimated the penalty would be £0.220m. 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 rate on investments were at 3.3% over the remaining period of the loan, then repaying the loans during 2022/23 would be broadly neutral. It was concluded that the repayment was not considered to be financially beneficial at the time. The Chair, CC O'Toole commented that with interest rates going up this needed careful monitoring. In response to a question raised by Cllr Baker, the Director of Corporate Services advised that interest and investment rates were routinely monitored frequently and as changes occurred.

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 counterparties which were considered to represent a low credit risk, including other local authorities. During the year the total cash held by the Authority had been positive with the highest balance being £46.8m and the lowest £26.7m. For the monies invested with Lancashire County Council the range was £41.8m to £16.6m.

By placing monies in longer term fixed rate investments, it was anticipated a higher level of interest would be earned. However, having fixed term deals did reduce the liquidity of the investment portfolio and therefore there was a limit to the amount that was advised be tied up in long term deals. At the year-end fixed investments of £15m were in place. During the year two fixed term investments had matured and two new investments were made. The table on page 13 of the agenda pack showed the interest earned on fixed term investments in 2022/23.

The call account provided by LCC paid the base rate throughout 2022/23. 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 £26.6m earning interest of £0.586m.

The overall interest earned during this period was £0.837m at a rate of 2.28% which was comparable with the benchmark 7-day index (Sterling Overnight rate 7-day rate) which averaged 2.30% 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. **Prudential Indicators** In order to control and monitor the Authority's treasury management functions, a number of prudential indicators were determined against which performance could be measured. The revised indicators for 2022/23 were presented in the report alongside the actual outturn position. **Resolved**: That the Committee noted and endorsed the outturn position report.
5/23	**Year End Capital Outturn 2022/23**
	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 2022/23 capital programme into the 2023/24 programme. The final capital programme for 2022/23 was £3.271m. Total capital expenditure for the year was £1.692m, reflecting (£1.636m of) slippage and an underspend (of £0.006m), as set out in the report as now considered, and in appendix 1. The programme had been financed in year from revenue contributions. **Prudential Indicators 2022/23** 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 2022/23 Capital Programme into the 2023/24 Programme** The original approved capital programme for 2023/24 was £10.116m. This had been updated for £1.636m of slippage as set out in the report. As a result, the final proposed capital programme for 2023/24 was £11.752m, which was funded from revenue contributions, earmarked reserves and capital reserves. The revised programme and its funding were considered by Members as set out in appendix 2. The report set out revised prudential indicators for 2023/24-2025/26, showing that the revised programme was affordable, prudent and sustainable. It was noted that the draft programme showed need to borrow in 2026/27, although the extent and timing of this would be reviewed as part of future budget setting cycles. **Capital Reserves** The capital programme over the next 5 financial years was set out in the report and the position showed all the capital reserves and receipts would be utilised.

	Resolved: That the Committee: - i) Noted the capital outturn position and the financing of capital expenditure 2022/23; and ii) Approved the revised 2023/24 capital programme, and the financing of this.
6/23	**Year End Revenue Outturn 2022/23**
	This report presented the revenue outturn position and the impact of this on usable reserves. The annual budget for the year was set at £63.017m. The final outturn position showed net expenditure of £64.882m, giving a total underspend for the financial year of £1.865m which was broadly in line with previous forecasts. The detailed final revenue position was set out in Appendix 1, with major variances being summarised in the report. In response to a question raised by CC Woollam, the Director of Corporate Services advised that when the budget was set the long-term costs were considered and energy costs were broadly in line with expectations. **Grant Funding** The Authority received specific grants from the Government in respect of various new initiatives. These were included in the revenue budget position presented with any unspent funding being carried forward as an earmarked reserve. The Chief Fire Officer added that with the support of the Chair, reporting back to central Government throughout the previous year for additional cost pressures to be recognised had seen a rise in the funding received from Government, and a change to the council tax referendum principles had allowed all Fire and Rescue Authorities to increase council tax by £5 which had put the Authority in a good financial position. **Delivery against savings targets** It was noted that performance was ahead of the annual target, largely due to additional procurement savings in the 'other' category. **Resolved:** That the Committee noted and endorsed the outturn position on the 2022/23 revenue budget.
7/23	**Year End Useable Reserves and Provisions Outturn 2022/23**
	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 was a non-specific reserve 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; and
- 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 to meet future potential commitments. The Authority's current general fund balance now stood at £4.2m and was above the minimum target level of £3.75m agreed by the Authority at its budget setting meeting in February.

Earmarked Reserves
Earmarked reserves were all funds that had been identified for a specific purpose. The overall reserves level had reduced from £9.7m to £9.3m, with the detailed position in respect of the various earmarked reserves considered by Members as set out in the report.

It was also that a number of the reserves were short-term holding reserves and as such it was anticipated (with the exception of the PFI reserve that related to contractual payments) drawing these down to £2m by 2024.

Capital Reserves and Receipts
Capital Reserves had been created from under spends on the revenue budget 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.

The unused capital contribution of £2,671k had been added to Capital Reserves in addition to £9k generated from the sale of vehicles that had been added to capital receipts. As a result of this the Authority currently held £22.0m of capital reserves / receipts. The capital programme assumed this would be utilised by 2027.

Provisions
The Authority had two provisions to meet future estimated liabilities:-

- Insurance Provision, which covered potential liabilities associated with outstanding insurance claims; and

	• 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 £36.8m of reserves and provisions, at that level the Treasurer believed these were adequate to meet future requirements in the medium term. **Resolved**: - That the Committee: - i) noted the utilisation of £485k of earmarked reserves; ii) approved the transfer of £2,671k of unused capital to capital reserves; iii) noted £9k of capital receipts; and iv) noted and endorsed the overall level of reserves and provisions as set out in the report.
8/23	**Financial Monitoring 2023/24**

The Director of Corporate Services advised that this report set out the current budget position in respect of the 2023/24 revenue and capital budgets. The year-to-date position was broadly balanced with no significant variances forecast for the year at the time of reporting.

Revenue Budget
The overall underspend position was further broken down between pay and non-pay budgets; there was an underspend of (£0.226m) on pay and an £0.181m overspend on non-pay activities. While 2 months was a small period to determine any underlying trends it did serve as a guide for further work to identify any potential changes that might impact on the outturn position for the year. The year-to-date positions within all departmental budgets were set out in appendix 1 with more significant variances of note shown separately in the table below: -

Area £'m	**Overspend/ (Under spend) to 31 May 23**	**Reason**
Fleet and technical Services - Non-Pay	£0.086	The year to date overspend largely related to fuel and maintenance costs, further work would be undertaken with the department to determine if there were any underlying pressures.
Pay	(£0.207)	Pay budgets in many areas were reporting small underspends due to vacancies however, this was not expected to continue long term.

Capital Budget
The original Capital Programme for 2023/24 was £10.116m, a broad overview of the programme is set out below: -

Area	Budgeted Items
Operational Vehicles Budget £5m	The budget allows for the remaining stage payments for 10 pumping appliances purchased in previous financial years. In addition, the budget allows for the first stage payments of the 3 pumping appliances for the 2023/24 programme. It also includes two Climate Change Vehicles and three Command Units.
Other vehicles Budget £1.0m	This budget allows for the replacement of various operational support vehicles.
Operational Equipment Budget £1.3m	This budget allows for operational equipment purchases including thermal imaging cameras and cutting and extrication equipment in 2023/24.
Building Modifications Budget £1.5m	This budget includes the commencement of a programme of Drill Tower Replacements and an upgrade to the Wylfa prop facility.
IT systems Budget £1.2m	This budget includes for upgraded Firewalls and digitisation of fire appliances.

Slippage from 2022/23 of £1.636m had been added to the original budget to give a revised budget of £11.752m. To date £1.4m had been spent predominantly on pumping appliances as considered by Members (Appendix 2). This appendix sets out the revised capital programme and committed the expenditure position against this.

In response to Member questions regarding staff vacancies, the Chief Fire Officer advised that the Service was struggling to recruit to some green book technical vacancies. This was less so for grey book staff as the Service aimed to recruit in time for expected leavers. The Head of HR added that green book staff represented a small proportion of the overall staffing and there were challenges around terms and conditions of employment when compared with the private sector.

In response to further questions, the Head of HR confirmed that digital advertising was used as this could better target people for specialist roles. She confirmed that there were people who worked from home (across a balance between home and the office), some roles were office based at all times and others worked out in the community. She advised that agency staff tended to be used where recruitment had been unsuccessful on a number of occasions and confirmed there were a small number of external consultants employed.

Resolved: that the Committee noted and endorsed the year-to-date position in respect of the 2023/24 revenue and capital budgets.

9/23 **Date and Time of Next Meeting**

The next meeting of the Committee would be held on Wednesday **27 September 2023** at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue

	Service Headquarters, Fulwood. Further meeting dates were noted for 29 November 2023 and 27 March 2024 and agreed for 3 July 2024.
10/23	**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.
11/23	**Pensions Update (Standing Item)**
	(Paragraphs 4 and 5) Members considered a report that provided an update on the various issues which had arisen in respect of the changes to the pension schemes applying to the uniformed members of the Fire Sector. **Resolved:** that the report be noted.
12/23	**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.

M Nolan
Clerk to CFA

LFRS HQ
Fulwood