

Public Document Pack

Lancashire Combined Fire Authority Resources Committee

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

If you have any queries regarding the agenda papers or require any further information, please initially contact Diane Brooks on telephone number Preston (01772) 866720 and she will be pleased to assist.

Agenda

Part 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014

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

1. **Apologies for Absence**

2. **Disclosure of Pecuniary and Non-Pecuniary Interests**

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

3. **Minutes of the Previous Meeting (Pages 1 - 10)**

4. **Year End Treasury Management Outturn 2022/23 (Pages 11 - 16)**

5. **Year End Capital Outturn 2022/23 (Pages 17 - 24)**

6. **Year End Revenue Outturn 2022/23 (Pages 25 - 28)**

7. **Year End Useable Reserves and Provisions Outturn 2022/23 (Pages 29 - 34)**

8. **Financial Monitoring 2023/24 (Pages 35 - 40)**

9. **Date and Time of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **27 September 2023** in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 29 November 2023 and 27 March 2024
proposed for 3 July 2024

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. **Pensions Update (Standing Item) (Pages 41 - 44)**

(Paragraphs 4 and 5)

13. **High Value Procurement Projects (Pages 45 - 58)**

(Paragraph 3)

14. **Urgent Business (Part 2)**

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Lancashire Combined Fire Authority Resources Committee

**Wednesday, 29 March 2023, at 10.00 am in the Main Conference Room,
Service Headquarters, Fulwood.**

Minutes

Present:	
Councillors	
S Rigby (Chair)	
D O'Toole (Vice-Chair)	
T Hurn	
J Mein	
M Pattison	
R Scott	
R Woollam	
B Yates	

Officers
S Healey, Deputy Chief Fire Officer (LFRS) K Mattinson, Director of Corporate Services (LFRS) B Warren, Director of People and Development (LFRS) M Nolan, Clerk and Monitoring Officer to the Authority J Johnson, Interim Head of ICT (LFRS) D Brooks, Principal Member Services Officer (LFRS)
In attendance
K Wilkie, Fire Brigades Union

39/22	Chairman's Announcement
	<p>This was the last meeting which would be attended by Mr Keith Mattinson as Director of Corporate Services and Treasurer to the Authority.</p> <p>Mr Mattinson advised that the new Director of Corporate Services was Mr Steven Brown who, following a hand over period during March would be formally starting in the role from 3 April 2023.</p> <p>On behalf of the Committee, the Chairman thanked Mr Mattinson for all his hard work over the years and wished him well in his retirement.</p>
40/22	Apologies for Absence
	Apologies were received from County Councillors Lorraine Beavers and Sean Serridge.

41/22	Disclosure of Pecuniary and Non-Pecuniary Interests																
	None received.																
42/22	Minutes of the Previous Meeting																
	Resolved: That the Minutes of the last meeting held on 30 November 2022 be confirmed as a correct record and signed by the Chairman.																
43/22	Financial Monitoring																
	<p>The Director of Corporate Services presented the report which set out the current budget position in respect of the 2022/23 revenue and capital budgets.</p> <p>The overall position at the end of January was an overspend of £1.3m, largely as a result of unfunded pay awards and inflationary pressures.</p> <p>The year to date and forecast 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: -</p> <table border="1"> <thead> <tr> <th>Area</th> <th>Overspend/ (Under spend) £'000</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td>Fleet & Technical Services</td> <td>174</td> <td>As reported in November, fuel had continued to overspend to £124k to date due to the sharp increase in fuel costs early this year. A slight reduction was now being seen as fuel prices started to decrease. An increase in mileage post pandemic had also been attributed to increased costs. Repair costs were overspent to date by £70k due to inflationary pressures. It was projected both these areas would continue to overspend.</td> </tr> <tr> <td>Information Technology</td> <td>44</td> <td>The overspend had reduced since November mainly due to timing of expenditure. Several software licences were prepaid earlier in the year levelling out in the latter part. There had been a general increase in costs, again reflecting inflationary pressures.</td> </tr> <tr> <td>Property</td> <td>583</td> <td>Increased energy costs continued to cause significant overspend totalling £407k to date, however costs were not as severe as initially anticipated following the introduction of the business support scheme. Inflationary pressures continued to cause the maintenance costs to overspend, accounting for the balance of the overspend.</td> </tr> <tr> <td>Pensions</td> <td>(73)</td> <td>The underspend on pensions was due to fewer individuals retiring on ill health than budgeted. To date there was just one retirement due to ill health.</td> </tr> </tbody> </table>		Area	Overspend/ (Under spend) £'000	Reason	Fleet & Technical Services	174	As reported in November, fuel had continued to overspend to £124k to date due to the sharp increase in fuel costs early this year. A slight reduction was now being seen as fuel prices started to decrease. An increase in mileage post pandemic had also been attributed to increased costs. Repair costs were overspent to date by £70k due to inflationary pressures. It was projected both these areas would continue to overspend.	Information Technology	44	The overspend had reduced since November mainly due to timing of expenditure. Several software licences were prepaid earlier in the year levelling out in the latter part. There had been a general increase in costs, again reflecting inflationary pressures.	Property	583	Increased energy costs continued to cause significant overspend totalling £407k to date, however costs were not as severe as initially anticipated following the introduction of the business support scheme. Inflationary pressures continued to cause the maintenance costs to overspend, accounting for the balance of the overspend.	Pensions	(73)	The underspend on pensions was due to fewer individuals retiring on ill health than budgeted. To date there was just one retirement due to ill health.
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Non DFM	(585)	The underspend was due to an increase in interest rates resulting in receiving an additional £400k interest to date. Also £102k VAT had been awarded back from the purchase of operational vehicles, having successfully challenged HMRC.
Wholetime Pay	857	Pay had significantly increased by £1m since November reporting due to the agreed 7% pay award for grey book, considerably higher than the budgeted 2%. Retirements and leavers were higher than anticipated, with this and a slight shortfall in recruit numbers being offset by increased overtime.
On Call Pay	5	This was broadly in line with budget having reflected the pay award.
Support staff (less agency staff)	110	The current position reflected the green book pay award, which was £1,925 per full time equivalent. This was significantly higher than the budgeted allowance of 2% and had increased costs over and above budget by approx. £400k by year end (please note at the time of writing the previous report it had been assumed that the pay award would equate to approx. 5%, however based on actual staff mix in year the actual costs were significantly higher at approx. 6.5%). This was partly offset by vacancies within the year, where recruitment had continued to be challenging, reflecting the employment market. And where use of temporary / agency staff had continued to cover some key posts.

Inflationary pressures and pay awards would continue to impact the budget for the remainder of the year, resulting in a year end overspend which was anticipated being approx. £1.5m to £1.75m. (This had not yet been finalised with the move onto a new finance system, provided by Lancashire County Council, which had resulted in some downtime and some challenges in extracting information from the system.)

As such reserves would be needed to offset this. The current general reserves held was £6.0m, having agreed a minimum level of £3.75m, and as such had sufficient reserves to meet this.

Capital Budget

Following the slippage previously agreed at the last Resources Committees the capital budget now stood at £3.3m. Spend to date was just £1.3m as set out below, with further details considered by Members in Appendix 2: -

	Revised Programme	Spend to 31 January	
	£m	£m	
Operational vehicles	0.9	-	As reported previously whilst a significant number of operational vehicles had been ordered: (13 pumping appliances, 2 Command Units and an ALP) lead times were such that there had been no expenditure occurred in the year to date. Whilst a staged payment profile had been agreed for these vehicles it appeared increasingly unlikely that any such costs would be incurred in year
Support vehicles	0.4	0.3	This budget allowed for the replacement of various operational support vehicles, whilst some of these had already been delivered, the shortage of raw materials had affected both the timeframe for delivery and the cost of vehicles. Again, it appeared increasingly unlikely that all of the allocated funding would be spent in year.
Operational Equipment	0.3	0.1	Spend to date was attributable to the replacement of light portable pumps. An additional £0.2m spend on CCTV for pumping appliances was anticipated in-year.
Building Modifications	0.8	0.6	Spend to date was associated with:- <ul style="list-style-type: none"> Enhanced facilities at Hyndburn fire stations, where works had been completed, at a cost of £0.2m The replacement of drill towers, where Blackpool, Tarleton and Bolton le Sands had all been completed, at a cost of £0.4m
IT systems	0.9	0.3	Expenditure to date related to a combination of replacement Vehicle Mounted Data Systems on appliances, the purchase of new Coverage Software, to aid

			with dynamic mobilizing, and the purchase of Incident Command Software.
Total	3.3	1.3	

It was clear that the 2022/23 capital programme would not be fully utilised and hence would need to slip funding into 2023/24 to meet future costs, the extent of this would be reported as part of the year end capital outturn.

The costs to date would be met by revenue contributions, as reflect in the revenue budget year end forecast.

It was highlighted that there remained significant cost increases across various supply chains, and in particular in construction projects which would affect some of the capital projects as they progressed through the procurement stage.

In response to a comment from CC Rigby, the Director of Corporate Services advised that there had been some difficulties with the introduction of a new financial system run by Lancashire County Council (LCC) which had resulted in this report being circulated late and normally it would have been possible to produce a year end forecast. The Service was however, working with LCC to resolve the issues which may have some impact on the year end processes.

Resolved: That the Committee:

- i) noted and endorsed the current financial position; and
- ii) noted the anticipated year end forecast overspend of between £1.5m and £1.75m.

44/22

ICT Plan 2022 - 2027

The Deputy Chief Fire Officer presented the ICT Plan for Member consideration and introduced Jack Johnson, Interim Head of ICT who was covering the post due to long-term sickness and who had prepared the report.

The ICT Plan supported the Data and Digital Strategy. It set out the programme of investment, which underpinned the business strategies that formed the Community Risk Management Plan (CRMP) 2022-27.

Data and Digital information were essential for Lancashire Fire and Rescue Service (LFRS) to improve fire response, prevention and protection services to the public given a huge amount of activity was dependent on effective use of data and information. It was acknowledged that best practice guidelines from central Government, together with other partner agency collaborations, would be considered wherever possible. The Service would also look to align itself with established and accepted best practices and working patterns from across the technology sector.

Key objectives set within the ICT Plan aimed to support the creation of a positive, inclusive culture that encouraged innovation and continuous improvement. Achieving the right culture enabled the delivery of the best services and supported LFRS to be an outstanding fire and rescue service for our communities and visitors.

The ICT Plan focussed on ensuring that the workforce: i) could make effective use of technology to communicate, safely store and share information; ii) could work effectively from anywhere using the most appropriate device for their role, intrinsically increasing efficiency; iii) had easy access to data and intelligence relevant to their role and that the information was current to help increase safety and reduce risk; iv) was digitally engaged in the organisation and champion a digital first culture; and v) technology solutions were secure, but still allowed the workforce to work effectively and efficiently.

The report contained a glossary of technical terms and acronyms to support understanding. Key elements of the ICT Plan were:

- Service Support kept operations running smoothly as well as taking ICT service requests via the Helpdesk;
- Ongoing partnership work with the Prince's Trust was through the delivery of WiFi, printing, iPads, projectors, and computers/monitors for all Prince's Trust students;
- Network Connectivity provided a robust and reliable network infrastructure that connected services across fire stations essential for effective and efficient service delivery. Network links connected the Service's 39 stations to central data centres located at Headquarters, North West Fire Control, Service Training Centre, Lancashire County Council for collaboration and delivery of the service's financial systems and to the Internet.
- Storage to protect data from unauthorised access, modification, or deletion.
- Virtualisation - The strategic direction across UK Government was now 'Digital by Default, Cloud First' which required public sector organisations to consider and fully evaluate cloud solutions first before considering other options. The term 'virtualisation' meant that software was used to create an abstraction layer over computer hardware which allowed the hardware elements of a single computer processor, memory, storage and more to be divided into multiple virtual computers, commonly called virtual machines each running its own operating system. This enabled more efficient use of physical computer hardware and allowed a greater return on hardware investment. Members noted that 90% of LFRS' servers were virtualised.
- Mobile Device Management was the remote control, monitoring and enforcement of policies on employee devices to support staff to securely work off-premises.
- Telephony Solution – hosted desk-based phone services.
- Communications - to ensure the integrity, performance and availability of LFRS' operational communications infrastructure, in particular the key functional areas of the Airwave radio system and Mobile Data Terminal, in adherence with published and acknowledged best practice standards.
- Cyber Security –given the security landscape was changing rapidly there was the need to evolve at a pace to reduce the likelihood and impact of a cyber-attack; best practice standards set by the National Cyber Security Centre had changed according to that change in the threat landscape. LFRS had been awarded both Cyber Essentials and Cyber Essentials Plus accreditation, which were government backed schemes that involved external auditing of IT systems. The certification also allowed for better collaboration with other authorities given the growing requirement to be security compliant.

The Authority Chairman thought the document had been laid out in a way which was easy to understand. He requested that a short presentation be given by the Interim Head of ICT at the next Strategy Group meeting, and the ICT Plan be circulated to all Members at that time.

CC Woollam queried the Service's use of TikTok in light of nationally reported potential security concerns. In response, the Interim Head of ICT advised that the Government's National Cyber Security Centre had removed TikTok from Government devices. He reassured Members that Service mobile devices were managed by ICT and the only department with access to use TikTok was corporate communications.

Cllr Scott queried the ability for Fire Services to communicate with each other. In response the Interim Head of ICT advised that Airwave was the system currently being used which would be replaced by the Emergency Services Mobile Communications Programme (ESMCP). This would move systems from analogue to digital to deliver the new Emergency Services Network (ESN) critical communications system. He reassured Members that Fire Services did communicate effectively with each other. The move to digital would improve efficiencies and enable blue light services to have fast, safe and secure voice, video and data across the 4G network and give first responders immediate access to life-saving data, images and information in live situations and emergencies on the frontline.

In response to a question raised by CC Rigby the Interim Head of ICT advised that the 4G network would be upgraded as required to maintain the highest specification.

Resolved: That the report be noted and the ICT Plan endorsed.

45/22

Local Pension Board Annual Report 2021-23

The Director of People and Development presented the report which provided an update on the Lancashire Fire Local Pension Board for the period 1 April 2021 - 31 March 2023.

Members noted that the Public Service Pensions Act 2013 introduced the requirement to have a Local Pension Board to assist in the governance of the Scheme. The Board had no remit as a decision-making body but was established to assist the Scheme Manager to fulfil functions which covered all aspects of governance and administration of the Firefighters' Pension Scheme. The Authority was the Pension Scheme Manager and this responsibility had been delegated to the Director of People and Development. The Board's Terms of Reference required that it met approximately twice a year and the Chair of the Board could call additional meetings as required. It was noted that there were two meetings held per year during the period as planned.

Membership

Three new members were appointed to the Board during the year 2021-22, a Chair, one employer and one employee representative. All changes were carried out in accordance with the Board's Terms of Reference. There were no further changes to the Board membership in 2022-23.

Work Programme during 2021/22

During the period 2021/23, the hard work and commitment of everyone who had contributed to the work activities involved in fire pensions, meant that key activities continued to be delivered and projects progressed. The focus had been on the following 3 major projects: i) the implementation and backdating of pensionable allowances within LFRS e.g., Day Crewing Plus Allowance; ii) the Sargeant/McCloud judgement relating to age discrimination; and iii) Matthews's judgement affecting on-call members commonly referred to as the 'Second Options Exercise'.

The implementation of pensionable allowances within LFRS commenced in June 2020 when certain allowances were deemed pensionable for future payments. Around April 2021 significant and complex work commenced on arrangements for backdating contributions for existing and former employees. Knowledge and capacity to undertake this project was initially sought via two existing members of the Human Resources Team. However, in September 2021 a Temporary Pensions Coordinator was appointed to assist with this workload. Over 350 individual calculations were undertaken to ensure employee pension contributions for the whole of the backdating period (1/6/2015 – 31/5/2020) were corrected, with repayment arrangements put into place where appropriate. In addition, LFRS worked with its pension administrators, the Local Pensions Partnership (LPPA) to ensure backdated pension payments to retired members. In March 2022, a Temporary Pensions Advisor was also appointed, with a focus on delivering the requirements of the Sargeant/McCloud and Matthews cases. Although complex, Officers worked with key stakeholders to gain understanding and establish the workloads involved, to successfully process the relevant pensions once the regulations are in place. Significant work had already taken place and was continuing. The Board had received and considered update reports at key project milestones.

The Board had also been informed about a number of complex cases which had been dealt with over this period, including through the Internal Dispute Resolution Procedure (Appeals). It continued to focus on key areas identified by the Pensions Regulator and maintaining an oversight of the key risks to the fund. A Risk Register was developed in October 2021 which had been reviewed at subsequent Board meetings.

Training

To support their work on the Fire Local Pension Board, members continued to maintain and develop their knowledge and skills. External training opportunities were limited during this time, due to the effect of the pandemic however, the Board had access to regular LGA monthly bulletins and the website and had utilised the 'Pension Regulators Public Service toolkit' to develop their knowledge. In addition, one member attended the LGA Fire Pension Scheme Annual General Meeting.

Looking forward to 2023/24

The Work Plan of the Board would focus on the principal activities of the Scheme as currently anticipated, which included: i) Continuing to improve pension administration arrangements for the benefit of all members and employers of the Scheme including the continual improvement programme for the quality of data held by the Scheme; ii) Appraising the impact of any revised regulations arising from the resolution to the Sargeant age discrimination and

	<p>the Matthew's cases and implementing any required changes to the Scheme; iii) Assessing the impact of and responding to consultations that would have an impact on the Lancashire Firefighters Pension Schemes; iv) Appraising the impact of the implementation of the Pensions Dashboard; and v) Enhancing Board knowledge and skills.</p> <p>The Plan would be reviewed and amended where appropriate to ensure it addressed any relevant issues which arose.</p> <p>The Chairman of the Authority commented that issues with pension arrangements had been ongoing for a considerable length of time which was confusing for everyone and understandably frustrating for staff.</p> <p>In response to questions raised by CC Woollam, the Director of People and Development provided reassurance that part of the role of the Pension Board was to communicate factual and accurate information with staff however, it was acknowledged that the issues were complicated and sometimes people were looking for different answers. He confirmed that no one retired with less pension than they had expected. He also confirmed that regular seminars were held for people approaching retirement. Elements were delivered separately for operational and support staff due to the differing pension schemes and they included presentations from the local pension partnership administrators who outlined options available which did not include investment advice.</p> <p>The Clerk advised that together with the Director of People and Development they had met with a senior barrister in London, over three years ago, to seek advice regarding legislation and case law in order to put the Service in the best possible place to ensure that pension entitlement was properly overseen and there was no agreed algorithm that took into account the significant number of variables involved in calculating each firefighter's pension. In response to a question from CC Mein, the Clerk advised that it was possible to provide a synopsis of the McCloud / Sargeant judgement outside the meeting and most likely at the next Strategy Group Day.</p> <p>Resolved: that the report be noted.</p>
46/22	<p>Date and Time of Next Meeting</p>
	<p>The next meeting of the Committee would be held on Wednesday, 12 July 2023 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.</p> <p>Further meeting dates were noted for 27 September 2023 and 29 November 2023 and agreed for 27 March 2024.</p>
47/22	<p>Exclusion of Press and Public</p>
	<p>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.</p>

48/22	Pensions Update
	<p>(Paragraphs 4 and 5)</p> <p>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.</p> <p>Resolved: that the report be noted.</p>
49/22	IDRP Stage 2
	<p>(Paragraphs 1, 4 and 5)</p> <p>Members considered a report regarding an IDRP Stage 2 application under the Internal Disputes Resolution Procedure. The report outlined the facts of the case.</p> <p>Resolved: That the Committee declined the application presented.</p>
50/22	High Value Procurement Projects
	<p>(Paragraph 3)</p> <p>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.</p> <p>Resolved: That the Committee noted and endorsed the report.</p>

M Nolan
Clerk to CFA

LFRS HQ
Fulwood

Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 12 July 2023

Year End Treasury Management Outturn 2022/23

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out the Authority's borrowing and lending activities during 2022/23. All treasury activities undertaken throughout the year are in accordance with the Treasury Management Strategy 2022/23.

Recommendation

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

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 regular updates on treasury management issues including a mid-year report and a final outturn report. Reports on treasury activity are discussed on a quarterly basis with Lancashire County Council Treasury Management Team and the Director of Corporate Services.

Investment and borrowing decisions are taken in the light of long-term borrowing requirements, the estimated level of reserves and actual and estimated cash-flow. Consideration is also given to various risks and ensuring compliance with the Prudential Indicators. Decisions are taken in the light of current and forecasted economic decisions. Therefore, this report provides information on:

- An economic overview
- Borrowing position
- Investment activity
- Comparison to the Prudential Indicators

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 costs from the PWLB are linked to the Gilt yields. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%.

Borrowing

The borrowing of the Fire Authority has remained unchanged at £2m. The existing loans were taken out with the Public Loans Works Board (PWLB) in 2007 when the base rate was 5.75%. The maturity and interest rate of the Authority's borrowing is:

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

Total interest paid on PWLB borrowing was £90k, which equates to an average interest rate of 4.49%.

The current approved capital programme has no requirement to be financed from borrowing until 2026/27, and the debt relates to earlier years' capital programmes.

While the borrowing is above its Capital Financing Requirement (CFR) which is the underlying need to borrow for capital purposes, this is because the Fire Authority has 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 matures or to make an early repayment. Consideration has been given to repaying the £2m but repaying the loans early would incur a penalty cost (referred to as a premium cost). The penalty fluctuates with PWLB repayment rates but at the end of the financial year it was estimated that the penalty would be £0.220m. Also, any early repayment means that cash balances available for investment will be reduced and hence interest receivable will 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. However, the situation is periodically reviewed by the Director of Corporate Services.

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. Throughout the year when investing money, the key aim was to strike an appropriate balance between risk and return.

In order to reduce credit risk to the Authority, Lancashire County Council (credit rating by Moodys Aa3) is the main counterparty for the Authority's investments via the operation of a call account. However, the Treasury Management Strategy does permit investment with other counterparties which are considered to represent a low credit risk, including other local authorities. During the year the total cash held by the Authority has 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 is anticipated a higher level of interest will be earned. However, having fixed term deals does reduce the liquidity of the investment portfolio and therefore there is a limit to the amount that is advised to 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 have matured and two new investments were made. The table below shows the interest earned on fixed term investments in 2022/23:

Start Date	End Date	Principal	Rate	Interest in 2022/23
20/04/2020	20/04/2022	£5,000,00	1.45%	£3,744
24/04/2020	25/04/2022	£5,000,00	1.45%	£4,767
21/03/2022	21/03/2024	£5,000,00	1.50%	£75,000
27/10/2022	26/10/2023	£5,000,00	3.30%	£70,521
07/10/2022	06/10/2023	£5,000,00	4.00%	£96,438

The call account provided by Lancashire County Council paid the base rate throughout 2022/23. Each working day the balance on the Authority's current account is invested in this to ensure that the interest received on surplus balances is maximised. 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 is comparable with the benchmark 7-day index (Sterling Overnight rate 7-day rate) which averages 2.30% over the same period and the Sterling overnight rate which averaged 2.28%.

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

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

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators are determined against which performance may be measured. The revised indicators for 2022/23 are shown in the table below alongside the actual outturn position.

	Revised	Actual
Adoption of the CIPFA Code of Practice for Treasury Management	Adopted	Adopted
Authorised limit for external debt	£000	£000
A prudent estimate of total external debt, which does not reflect the worst-case scenario, but allows sufficient headroom for unusual cash movements		
Borrowing	6,000	2,000
Other long-term liabilities – these relate to leases and the PFI agreements	30,000	12,000
Total	36,000	14,000
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 – these relate to leases and the PFI agreements	16,000	12,000
Total	19,000	14,000
Upper limit for fixed interest rate exposure		
Borrowing	100%	100%
Investments	100%	48%
Upper limit for variable rate exposure		

	Borrowing	25%	0%
	Investments	100%	52%
Upper limit for total principal sums invested for over 365 days (per maturity date)		25.000	5.000
Maturity structure of debt		Upper/ Lower Limits	Actual
	Under 12 months	100%/nil	-
	12 months and within 24 months	50%/nil	-
	24 months and within 5 years	50%/nil	-
	5 years and within 10 years	50%/nil	-
	10 years and above	100%/nil	100%

Financial Implications

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

	Revised Budget £m	Actual £m	Reason for variance
Interest Payable on PWLB loans	0.090	0.090	
Interest Receivable on call account and fixed term investments	(0.205)	(0.836)	Largely due to the interest rates being higher than anticipated when setting the budget.
Voluntary Minimum Revenue Provision re PWLB loans	0.010	0.010	
Net financing income from Treasury Management activities*	(0.105)	(0.105)	

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

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

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

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of background papers

Paper: Treasury Management Strategy 2022/23
Date: February 2022
Contact: Steven Brown, Director of Corporate Services

Paper: Treasury Management Guidance
Date: February 2017
Contact: Steven Brown, Director of Corporate Services

Reason for inclusion in Part 2 if appropriate: N/a

Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 12 July 2023

Year End Capital Outturn 2022/23 (Appendices 1 and 2 refer)

Contact for further information: Steven Brown - Director of Corporate Services
Tel: 01772 866804

Executive Summary

This report presents:

- the year end position for the Authority's capital programme, and how this has been financed;
- the impact of slippage from the 2022/23 capital programme into the 2023/24 programme.

Recommendation

The Authority is asked to: -

- note the capital outturn position and the financing of capital expenditure 2022/23; and
- approve the revised 2023/24 capital programme and the financing of this.

Information

The final capital programme for 2022/23 was £3.271m. Total capital expenditure for the year was £1.629m, reflecting (£1.636m) of slippage and an underspend of (£0.006m), as set out in the table below, and in appendix 1.

Area of Spend	22/23 Budget	Actual Expenditure	Slippage	(Under) / Overspend	Explanation
	£m	£m	£m	£m	
Operational Vehicles	0.924		(0.924)		Operational vehicles has slipped to future years with new appliances planned to go into service over 2023/24 along with a number of other operational vehicles with long lead times, including two Incident Command Units and an Aerial Platform Ladder which are now expected to be in service by December 2023.

Support Vehicles	0.431	0.416	(0.008)	(0.007)	In year expenditure reflects the planned purchases of <ul style="list-style-type: none"> • two People Movers • six small cars, two medium cars • four vans, plus a van conversion • four FDO cars as planned.
Operational Equipment	0.300	0.157	(0.143)		In year expenditure relates to light portable pumps, CCTV on 15 operational vehicles and dash cams on 31 vehicles. Slippage relates to RTC cutting equipment.
Buildings	0.750	0.624	(0.127)	0.001	Expenditure in the year relates to <ul style="list-style-type: none"> • Upgrade of dormitory facilities at Hyndburn • Work to the fleet workshop at Training Centre. • Completion of drill tower replacements at Tarleton, Blackpool and Boulton le Sands, which now in use. Slippage relates to retentions.
ICT Systems	0.866	0.432	(0.434)		Software expenditure in year includes: <ul style="list-style-type: none"> • Dynamic Coverage Tool. • Command Support Software. Hardware expenditure in year includes: <ul style="list-style-type: none"> • Vehicle Mounted Data Solutions Software slippage includes RDS/Alerter software and Learning Management and System Incident ground Radios.
Grand Total	3.271	1.629	(1.636)	(0.006)	

The programme has been financed in year from revenue contributions as shown in Appendix 1.

Prudential Indicators 2022/23

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

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

	Revised	Actual
Net financing costs (Income)	(£0.680m)	(£0.600m)
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	(1.08%)	(0.96%)
Capital Expenditure (this is simply a measure of spend)	3.271	1.629
Capital Financing (how the spending was funded):		
Grants and contributions	-	-
Own resources	3.271	1.629
Debt	-	-
Total	3.271	1.629
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	nil	nil

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 has been updated for £1.636m of slippage outlined earlier in the report that needs to be slipped into 2023/24. This results in the following updated 23/24 programme:

	£m
Approved capital budget 2023/24	10.116
Slippage from 2022/23	1.636
Revised capital budget 2023/24	11.752

As a result, the final proposed capital programme for 2023/24 is £11.752m, which is funded from revenue contributions, earmarked reserves and capital reserves. The revised programme and its funding are set out in appendix 2.

The following table sets out the revised prudential indicators for 2023/24 - 2025/26 showing that the revised programme is affordable, prudent and sustainable, as follows: -

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Net financing costs (Income)	(£1.210m)	£0.910m	£0.560m
Ratio of Financing Costs to Net Revenue Stream. (The figures show that there is revenue income rather than costs.)	(1.85%)	(1.28%)	(0.76%)
Capital Expenditure	11.752	10.320	12.015
Capital Financing (how the spending will be funded):			

Grants and contributions	-	-	-
Own resources	11.752	10.320	12.015
Debt	-	-	-
Total	11.752	10.320	12.015
Capital Financing Requirement	-	-	-

Note the draft programme shows a need to borrow in 2026/27, although the extent and timing of this will be reviewed as part of future budget setting cycles.

Capital Reserves

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

	Capital Reserves	Capital Receipts	Capital Grant	Total
	£m	£m	£m	£m
Balance 31/3/23	20.3	1.7	0	22.0
Additions/utilisation in year	-5.8	-1.7	0	-7.5
Balance 31/3/24	14.5	0.0	0.0	14.5
Additions/utilisation in year	-6.3	0	0	-6.3
Balance 31/3/25	8.2	0.0	0.0	8.2
Additions/utilisation in year	-7	0	0	-7
Balance 31/3/26	1.2	0.0	0.0	1.2
Additions/utilisation in year	-1.2	0	0	-1.2
Balance 31/3/27	0.0	0.0	0.0	0.0
Additions/utilisation in year	0	0	0	0
Balance 31/3/28	0.0	0.0	0.0	0.0

As can be seen the capital programme over the next five financial years utilises all of the capital reserves and capital receipts.

Financial Implications

As outlined in the report.

Business Risk Implications

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

Environmental Impact

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

Equality and Diversity Implications

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

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/a

CAPITAL BUDGET 2022/23

CAPITAL BUDGET 2022/23	Revised Prog	Year End Outturn	Slippage	Over/ (Under) Spend
Vehicles				
Operational Vehicles	0.924	-	(0.924)	-
Support Vehicles	0.431	0.416	(0.008)	(0.007)
	1.355	0.416	(0.932)	(0.007)
Operational Equipment				
Operational Equipment	0.300	0.157	(0.143)	-
	0.300	0.157	(0.143)	-
Buildings Modifications				
STC	0.036	0.020	(0.016)	-
Enhanced station facilities	0.150	0.151	-	0.001
Preston Rebuild	-	-	-	-
SHQ Relocation	-	-	-	-
Drill tower replacements	0.564	0.453	(0.111)	-
	0.750	0.624	(0.127)	0.001
ICT				
IT Systems	0.866	0.432	(0.434)	-
	0.866	0.432	(0.434)	-
Total Capital Requirement	3.271	1.629	(1.636)	(0.006)
Funding				
Capital Grant	-	-	-	-
Revenue Contributions	3.271	1.629	(1.636)	-
Earmarked Reserves	-	-	-	-
Capital Reserves	-	-	-	(0.006)
Total Capital Funding	3.271	1.629	(1.636)	(0.006)

CAPITAL BUDGET 2023/24

CAPITAL BUDGET 2023/24	Original Programme 23/24	Slippage 22/23 - Move to 2023/24	Revised Programme
Vehicles			
Operational Vehicles	5.067	0.924	5.991
Support Vehicles	1.030	0.008	1.038
	6.097	0.932	7.029
Operational Equipment			
Operational Equipment	1.325	0.143	1.468
	1.325	0.143	1.468
Buildings Modifications			
STC	-	0.016	0.016
Enhanced station facilities	0.500	-	0.500
Preston Rebuild	-	-	-
SHQ Relocation	-	-	-
Drill tower replacements	0.600	0.111	0.711
Wylfa Prop	0.125	-	0.125
Estate Improvement Provision	0.250	-	0.250
	1.475	0.127	1.602
ICT			
IT Systems	1.219	0.434	1.653
	1.219	0.434	1.653
Total Capital Requirement	10.116	1.636	11.752
Funding			
Capital Grant	-	-	-
Revenue Contributions	4.000	-	4.000
Earmarked Reserves	0.364	-	0.364
Capital Reserves	4.069	1.636	5.705
Capital Receipts	1.683	-	1.683
Total Capital Funding	10.116	1.636	11.752

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Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 12 July 2023

Year End Revenue Outturn 2022/23 (Appendix 1 refers)

Contact for further information: Steven Brown - Director of Corporate Services
Tel: 01772 866804

Executive Summary

This report presents the revenue outturn position, and the impact of this on usable reserves. The overall outturn position shows an overspend of £1.865m which is broadly in line with previous forecasts.

Recommendation

The Committee is asked to note and endorse the outturn position on the 2022/23 revenue budget.

The Revenue Outturn Position

The annual budget for the year was set at £63.017m. The final outturn position shows net expenditure of £64.882m, giving a total overspend for the financial year of £1.865m, which is broadly in line with previous forecasts.

The detailed final revenue position is set out in Appendix 1, with major variances being summarised below (note as reported throughout the year the variances shown relate to non-pay spend, with the variance on the pay budget being shown separately):-

Area	Overspend/ (Underspend)	Reason
	£'000	
Fleet	71	As previously reported to members there is an overspend on fuel that is due to the increase in prices, this budget has been updated for 2023/24 to reflect the high fuel costs.
Property	970	As previously reported to members the overspend is due to the increase in the cost of energy and inflationary pressures on maintenance costs.
Non DFM	(590)	The main reason for the underspend as previously reported to members is additional bank interest of (£408k) but in addition the service recovered (£102k) of VAT from the HMRC following a successful challenge.
Pensions	(186)	The underspend on the pensions budget is due to fewer individuals retiring on ill health grounds than budgeted.

TOR	150	There has been a shortfall in the apprenticeship income due to a higher number of leavers than assumed in the budget, the budget for 2023/24 will be reviewed to ensure it remains reasonable.
Wholetime Pay (including associate trainer costs)	905	As previously reported to members the overspend is mainly due to the agreed 7% pay award for grey book against a budget of 2%. Retirements and leavers were higher than anticipated and there was a slight shortfall in recruitment numbers offset against overtime costs, associated with covering vacancies and staff absences.
Support staff (less agency staff)	459	As also previously reported to members the outturn position reflects the green book pay award of £1,925 per full time equivalent being higher than budgeted. Vacancies have offset some of these additional costs however, agency staff have been utilised throughout the year to cover some key posts due to the challenging employment market.

Grant Funding

The Authority receives specific grants from the Government in respect of various new initiatives. These are included in the revenue budget position shown above, with any unspent funding being carried forward as an earmarked reserve:

	Protection uplift £000	Accreditation £000	Grenfell Infrastructure £000	Pensions Admin £000	Efficiency £000
B/fwd	(85)	(35)	(20)	(145)	(131)
Grant received in year	(286)	-	-	-	(1)
Tfr in from budgets	-	-	-	-	-
Utilised	371	3	20	-	-
Bal Remaining	-	(32)	-	(145)	(132)

Delivery Against Savings Targets

The following table sets out the savings targets identified during the 2022/23 budget setting process, hence removed from the 2022/23 budget, and performance against this: -

£m	Annual Target	Savings at Year End
We have top sliced the majority of non-pay budgets by 2.5%	(0.2)	(0.2)
Adjust pooled PPE budget to reflect lifecycle replacement requirement	(0.2)	(0.2)
Reduction in car users/mileage budgets across all budgets, reflecting alternative ways of future working	(0.2)	(0.3)
Other	(0.3)	(0.5)
	(0.9)	(1.2)

The performance was ahead of the annual target largely due to additional procurement savings in the 'other' category.

Business Risk

None

Environmental Impact

None.

Equality and Diversity Implications

None.

HR Implications

None.

Financial Implications

As set out in the report.

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/a

Appendix 1

BUDGET MONITORING STATEMENT YEAR ENDING 31ST MARCH 2023	Total Budget	Budgeted Spend to Mar 2023	Actual Spend to Mar 23	Variance O/Spend (U/Spend)	Variance Pay	Variance Non-Pay
	£000	£000	£000	£000	£000	£000
Service Delivery						
Service Delivery	36,084	36,062	37,527	1,465	1,455	9
Prevention & Protection	2,893	2,972	2,982	10	89	99
Covid-19	-	-	-	-	-	-
Control	1,346	1,346	1,410	64	-	64
Youth Engagement (inc Princes Trust)	22	22	28	6	-	6
Special Projects (ISAR)	13	13	9	4	-	4
	-	-	-	-	-	-
Strategy & Planning	-	-	-	-	-	-
Service Development	1,537	1,552	1,695	143	229	86
Training & Operational Review	4,270	4,415	4,248	168	318	150
Fleet & Technical Services	2,683	2,709	2,843	134	63	71
Information Technology	2,782	2,860	2,852	8	38	45
Digital Transformation	421	562	565	3	30	27
	-	-	-	-	-	-
People & Development	-	-	-	-	-	-
Human Resources	844	903	997	94	53	41
Occupational Health Unit	241	242	298	56	19	36
Corporate Communications	328	344	407	63	57	6
Safety Health & Environment	233	248	232	16	12	3
	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-
Executive Board	1,059	1,064	1,058	6	3	3
Central Admin Office	834	866	758	108	118	11
Finance	145	166	181	15	12	2
Procurement	848	988	1,053	65	83	18
Property	2,173	2,179	3,175	996	27	970
External Funding	-	3	1	2	0	1
TOTAL DFM EXPENDITURE	58,757	59,514	62,317	2,803	1,526	1,277
Non DFM Expenditure						
Pensions Expenditure	1,351	1,351	1,165	186	-	186
Other Non-DFM Expenditure	2,909	2,152	1,400	752	162	590
NON-DFM EXPENDITURE	4,260	3,503	2,565	(938)	(162)	(776)
TOTAL BUDGET	63,017	63,017	64,882	1,865	1,364	501

Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 12 July 2023

Year End Usable Reserves and Provisions Outturn 2022/23

Contact for further information: Steven Brown - Director of Corporate Services

Tel: 01772 866804

Executive Summary

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

Recommendation

The Committee is asked to:-

- note the net utilisation of £485k of earmarked reserves;
- approve the transfer of £2,671k of unused capital to capital reserves;
- note £9k of capital receipts;
- note and endorse the overall level of reserves and provisions as set out in the report.

Information

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

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

£m	General Reserve	Earmarked Reserves	Capital Reserves (inc Receipts)	Total Usable Reserves	Provisions	Total
Balances at 31/3/22	6.044	9.742	19.355	35.141	1.446	36.677
Revenue Adjustments						
• Utilised / Provided for In-Year		-0.485	-	-0.485	-0.246	-0.731
• Revenue Outturn	-1.865	-	-	-1.865	-	-1.865
• Specific transfers to / (from) Earmarked Reserves	-	-	-	0	-	0
Subtotal	-1.865	-0.485	0	-2.35	-0.246	-2.596

NWFC reserves movement	-	-	-	-	-	-
Capital Adjustments				0		0
• Capital Outturn	-	-	-	0	-	0
• Unused RCCO	-	-	2.671	2.671	-	2.671
• Capital Receipts	-	-	0.009	0.009	-	0.009
Subtotal	0.000	0.000	2.680	2.680	0.000	2.680
Balances at 31/3/23	4.179	9.257	22.035	35.471	1.200	36.761

Note the above figures exclude our share of the NWFC reserves.

General Reserve

This is 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 needs to hold an adequate level of general reserves in order to provide:-

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

As a precepting Authority any surpluses or deficits are transferred into / out of reserves to meet future potential commitments. The Authority's current general fund balance now stands at £4.2m and is above the minimum target level of £3.75m agreed by the Authority at its budget setting meeting in February.

Earmarked Reserves

Earmarked reserves are all funds that have been identified for a specific purpose. The overall reserves level has reduced from £9.7m to £9.3m, with the detailed position in respect of the various earmarked reserves set out below:-

£m	As at 31/3/22	Transfers	As at 31/3/23	
Devolved Financial Management	0.250	0.025	0.275	Net carry forward of service surpluses and deficits to give greater flexibility in managing budgets.

PFI Reserves	5.279	(0.014)	5.265	This is used to smooth out the annual net cost to the Authority of both PFI schemes and will be required to meet future contract payments. The level of reserve required to meet future contract payments has been updated to reflect current and forecast inflation levels.
Insurance Aggregate Stop Loss (ASL)	1.050	-	1.050	The Authority has aggregate stop losses (ASLs) on both its combined liability insurance policy (£0.5m) and its motor policy (£0.3m). This reserve combined with amounts within the revenue budget, provides sufficient cover to meet 2 years' worth of the maximum possible claims, i.e. the ASL.
Fleet & Equipment	0.250	(0.235)	0.015	This reserve relates to wildfire PPE.
Prince's Trust	0.447	(0.092)	0.355	This reserve was established to balance short term funding differences and to mitigate the risk of loss of funding and enable short term continuation of team activities, whilst alternative funding is found.
Apprentices/ Graduates	0.078	-	0.078	This reserve was created from previous in-year underspend relating to the appointment of apprentices, which was delayed awaiting national developments. As such the reserve was set up to offset some of the costs that are incurred in future years, with the balance being met direct from the revenue budget. The flexibility this creates contributes to addressing apprenticeship targets, set by the Government, as well as addressing capacity issues within departments.
ESMCP	0.044	(0.027)	0.017	This reserve covers costs associated with the delivery of the Emergency Services Mobile Communication Programme (ESMCP), which are not met by the Home Office. As such usage in year reflects the shortfall between Government funding and the actual costs incurred in year.
Innovation Fund	0.500	0.002	0.502	This reserve was established to cover any unfunded developments that are identified which will improve service delivery, with any requests to utilise the fund requiring the approval of the Executive Board.

Section 21 Business Rate Relief Grant	1.101	(1.101)	-	In 20/21 the Government has provided Section 31 Rate Relief grant to individual billing authorities, to cover the additional in-year reliefs provided because of the pandemic, this was utilised in the 22/23 budget setting process.
Digital Transformation	0.242	0.037	0.279	This reserve was created in 20/21 to support training requirements and the digital transformation.
Specific Grant C/Fwd.	0.416	(0.108)	0.308	This reserve carries forward unspent specific grants provided in respect of <ul style="list-style-type: none"> • Protection Uplift Grant • Building Risk Review Grant • Grenfell Infrastructure Grant • Pensions Admin Grant • Efficiency Grant We anticipate utilising these funds in the new financial year.
Drill Tower Refurbishment	-	0.284	0.284	This relates to the Drill Tower replacement project that will now take place in 2023/24.
Pensionable allowances	-	0.550	0.550	Funding previously set aside to meet future potential pension liabilities.
ICT Hardware	-	0.196	0.196	Funding set aside from delayed ICT revenue expenditure that will be incurred in 23/24.
Various other ad hoc reserves	0.083	0.001	0.084	This balance covers various other smaller reserves for use in the medium term.
	9.743	(0.485)	9.258	

It is worth highlighting that a number of these reserves are short-term holding reserves and as such we anticipate, 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 have been created from under spends on the revenue budget to provide additional funding to support the capital programme in future years; as such they cannot be used to offset any deficit on the revenue budget, without having a significant impact on the level of capital programme that the Authority can support.

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

The unused capital contribution of £2,671k has been added to Capital Reserves in addition to £9k generated from the sale of vehicles that has been added to capital receipts. As a result of this the Authority currently now holds £22.0m of capital reserves / receipts.

	Capital Reserves	Capital Receipts	Total
Balance at 31 March 2022	17.672	1.683	19.355
Capital receipts	-	0.009	0.009
Unused RCCO	2.671	-	2.671
Balance at 31 March 2023	20.343	1.692	22.035

The capital programme assumes this will be utilised by 2027.

Provisions

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

- Insurance Provision, which covers potential liabilities associated with outstanding insurance claims; and
- Business Rates Collection Fund Appeals Provision, which covers the Authority's share of outstanding appeals against business rates collection funds, which is calculated each year end by each billing authority within Lancashire based on their assumptions of outstanding appeal success rates, as part of their year-end accounting for the business rates collection fund.

	Insurance Provision	Business Rates Collection Fund Appeals Provision	Total
Balance at 31 March 2022	0.592	0.854	1.446
Additional provision / (Utilised in year)	(0.053)	(0.193)	(0.246)
Balance at 31 March 2023	0.539	0.661	1.200

Summary

The overall position at year end shows the Authority (excluding draft North West Fire Control balances) holds £36.8m of reserves and provisions, at this level, the Treasurer believes these are adequate to meet future requirements in the medium term.

Financial Implications

As outlined in the report.

Business Risk Implications

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

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/a

Lancashire Combined Fire Authority Resources Committee

Meeting to be held 12 July 2023

Financial Monitoring 2023/24 (Appendices 1 and 2 refer)

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

The report sets out the current budget position in respect of the 2023/24 revenue and capital budgets. The year-to-date position is broadly balanced and therefore no significant variances are forecast for the year at the time of reporting.

Recommendation

The Committee is asked to note and endorse the year-to-date position in respect of the 2023/24 revenue and capital budgets.

Information

Revenue Budget

Lancashire Fire and Rescue Service's 2023/24 revenue budget has been set at £68.493m. The budget profiled to the end of May 2023 is £13.289m and expenditure for the same period is £13.243m resulting in an underspend of just (£0.045m).

The overall underspend position is further broken down between pay and non-pay budgets; there is an underspend of (£0.226m) on pay and an £0.181m overspend on non-pay activities. Whilst two months is a small period to determine any underlying trends it does serve as a guide for further work to identify any potential changes that may impact on the outturn position for the year. The year-to-date positions within all departmental budgets are 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 relates to fuel and maintenance costs, further work will be undertaken with the department to determine if there are any underlying pressures.

Pay	(£0.207)	Pay budgets in many areas are reporting small underspends due to vacancies however, this is not expected to continue long term.
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Capital Budget

The original Capital Programme for 2023/24 is £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 has been added to the original budget to give a revised budget of £11.752m. To date £1.4m has been spent predominantly on pumping appliances as set out in Appendix 2. This appendix sets out the revised capital programme and committed expenditure position against this, as reflected above.

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:

Reason for inclusion in Part 2 if appropriate: N/a

APPENDIX 1

BUDGET MONITORING STATEMENT MAY 2023	Revised Annual Budget	Revised YTD Budget	Year to Date Total	Year to Date Variance	Variance Pay	Variance Non- Pay
	£000		£000	£000	£000	£000
Service Delivery						
Service Delivery	39,225.39	7,185.43	7,192.84	7.40	- 94.59	101.99
Prevention & Protection	3,193.44	572.24	550.46	- 21.78	- 21.57	- 0.21
Covid-19	-	-	0.06	0.06	-	0.06
Control	1,610.40	402.60	402.19	- 0.41	-	- 0.41
Youth Engagement (inc Princes Trust)	7.07	179.98	139.12	- 40.86	-	- 40.86
Special Projects (ISAR)	14.40	2.31	0.62	- 1.69	-	- 1.69
	-	-	-	-	-	-
Strategy & Planning	-	-	-	-	-	-
Service Development	1,945.49	276.87	316.71	39.84	- 5.26	45.10
Training & Operational Review	4,556.43	1,036.73	899.41	- 137.31	- 115.10	- 22.21
Fleet & Technical Services	3,267.51	641.60	720.12	78.52	- 7.97	86.49
Information Technology	3,316.24	763.63	736.14	- 27.50	- 13.16	- 14.34
Digital Transformation	599.45	99.91	79.93	- 19.98	- 13.41	- 6.57
	-	-	-	-	-	-
People & Development	-	-	-	-	-	-
Human Resources	1,050.05	121.97	134.25	12.28	5.77	6.52
Occupational Health Unit	313.55	50.70	30.50	- 20.20	- 12.32	- 7.88
Corporate Communications	379.61	62.89	67.43	4.54	3.58	0.97
Safety Health & Environment	282.93	42.19	48.98	6.79	0.76	6.04
	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-
Executive Board	1,115.44	180.80	225.66	44.85	56.79	- 11.93
Central Admin Office	934.13	103.51	103.26	- 0.25	- 1.42	1.17
Finance	215.96	35.96	28.67	- 7.28	- 8.21	0.92
Procurement	659.02	157.95	171.69	13.73	32.46	- 18.73
Property	4,289.09	1,376.37	1,346.57	- 29.80	- 12.28	- 17.51
External Funding	- 1.33	- 7.80	- 9.44	- 1.64	- 1.39	- 0.25
migration	-	-	-	-	-	-
Pay						
TOTAL DFM EXPENDITURE	66,974.28	13,285.83	13,185.15	- 100.67	- 207.33	106.66
Non DFM Expenditure						
Pensions Expenditure	1,399.20	233.20	232.44	- 0.76	-	- 0.76
Other Non-DFM Expenditure	119.62	- 230.28	- 174.13	56.14	- 18.95	75.09
NON-DFM EXPENDITURE	1,518.82	2.92	58.31	55.39	- 18.95	74.33
TOTAL BUDGET	68,493.10	13,288.75	13,243.46	- 45.29	- 226.28	180.99

APPENDIX 2

CAPITAL BUDGET 2023/24	Original Programme 23/24	Slippage 22/23 - Move to 2023/24	Revised Programme	Expenditure to Date
Vehicles				
Operational Vehicles	5.067	0.924	5.991	1.301
Support Vehicles	1.030	0.008	1.038	0.120
	6.097	0.932	7.029	1.422
Operational Equipment				
Operational Equipment	1.325	0.143	1.468	0.001
	1.325	0.143	1.468	0.001
Buildings Modifications				
STC	-	0.016	0.016	-
Enhanced station facilities	0.500	-	0.500	(0.003)
Preston Rebuild	-	-	-	-
SHQ Relocation	-	-	-	-
Drill tower replacements	0.600	0.111	0.711	(0.010)
Wylfa Prop	0.125	-	0.125	-
Estate Improvement Provision	0.250	-	0.250	-
	1.475	0.127	1.602	(0.013)
ICT				
IT Systems	1.219	0.434	1.653	0.010
	1.219	0.434	1.653	0.010
Total Capital Requirement	10.116	1.636	11.752	1.419
Funding				
Capital Grant	-	-	-	-
Revenue Contributions	4.000	-	4.000	1.419
Earmarked Reserves	0.364	-	0.364	-
Capital Reserves	4.069	1.636	5.705	-
Capital Receipts	1.683	-	1.683	-
Total Capital Funding	10.116	1.636	11.752	1.419

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