LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 29 November 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
L Beavers
D Coleman
N Hennessy (Vice-Chair)
F Jackson
T Martin
D O'Toole
G Wilkins
T Williams

Officers

C Kenny, 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)
S Collinson, Head of Media and Communications (LFRS)
J Keighley, Member Services Assistant (LFRS)

In attendance

J Hargreaves

29/16 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor David Stansfield.

30/16 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

31/16 MINUTES OF THE PREVIOUS MEETING

It was noted that the separate meeting referred to on page 16 had not taken place due to additional information not being available sooner; however, this would be further considered under part 2 of this agenda.

RESOLVED: - The Chairman agreed that the minutes of the last meeting held on 27 September 2017 be confirmed as a correct record and signed by the Chairman.

32/16 FINANCIAL MONITORING 2017/18

The report set out the current budget position in respect of the 2017/18 revenue and capital budgets and performance against savings targets.

Revenue Budget

The overall position as at the end of September showed an under spend of £0.3m. Trends were being monitored to ensure that they were reflected in future years budgets as well as being reported to the Resources Committee. In terms of the year end forecast, it was still early in the year however, the latest forecast showed an overall underspend of approximately £0.8m.

Included within this were the following key areas which had previously been reported to Resources Committee:-

- £300k underspend due to shortfall in wholetime recruitment;
- £100k underspend due to delay in the implementation of revised RDS pay;
- £150k underspend within support staff pay due to apprentice posts budget not being utilised in year – this could be transferred into an earmarked reserve to pump prime future years apprenticeship posts subject to Resources Committee approval in May which was part of the revenue outturn reporting.

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

Area	Overspend / (Under spend) to 30 Sept	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	(16)	(43)	The current and forecast outturn position reflected underspends on smoke detectors and income generated in relation to Drone courses run by LFRS. This was partly offset by overspends on new recruits uniforms/PPE, training mannequins for stations, and furniture. The forecast also included £200k for the partial swap out of various items of PPE, gloves, boots and helmets, with the balance of costs, £300k, being met in 18/19.
Fleet Services	62	23	The current position related to anticipated overspends on Breathing Apparatus and Hydrant repairs, less underspends on tyres and hose replacements/repairs. The outturn position also reflected anticipated income from the sale of vehicles before the year end.

Human Resources	37	(65)	The current overspend represented unbudgeted costs in relation to carrying out the wholetime recruitment exercise. The outturn position included the remainder of the budget allocation for Organisational Development (currently £82k). Spends committed against this funding were an additional fixed term HR adviser, the leadership conferences and the management development programme.
Property	120	99	The overspend position related to premises repairs and maintenance, which was expected to continue for the remainder of the year.
Non DFM	61	169	The overspend related to funding of the posts created during the year in order to address new initiatives, such as the creation of a team to undertake preparatory work in advance of the new inspection regime, and the creation of additional posts to meet the workload demands arising from the roll out of National Operational Guidance and Learning. It was noted that the outturn position ignored year-end adjustments in respect of the final insurance position on the Aggregate Stop Loss and claims history, which would only be determined as part of the year end process. All but 4 of the Public Work Loan Board (PWLB) outstanding loans were repaid on 3 October, the resultant penalty of £635k would be met from earmarked reserves.
Wholetime Pay	(308)	(513)	The year to date position reflected: • the number of wholetime recruits taking part in the June course was lower than budgeted, 32 compared with a budgeted 36; • in addition vacancies to date were higher than forecast due to the early leaver profile; • pension costs were lower than forecast as the number of personnel who were no longer on the FF pension schemes stood at 25, in addition staff continued to transfer from the 92 scheme to the 2015 scheme resulting in a reduction in employer pension contributions;

			• the annual pay award had not yet been agreed, which would have been effective from 1 July, this resulted in an underspend of approximately £72k at the end of September; • With the balance of the underspend relating to the timing of costs of ad hoc payments such as public holidays. The outturn reflected all of the above, plus the shortfall in wholetime recruitment for the January recruits course (17 as opposed to a budgeted figure of 24). The majority of the forecast underspend was attributable to the shortfall in wholetime recruit numbers. As reported previously the budget was set based on populating 2 recruits courses with 60 recruits in total whereas the actual number of recruits would total 49. It was also worth noting that the forecast outturn included an assumed 1% pay-award, given the Union and Employers Side had been unable to reach an agreement at the present time.
Control Staff	(22)	(44)	The underspend related to a communications officer post, which was temporarily filled by a wholetime member of staff, whilst the substantive post holder was seconded to work for the Home Office on the national ESMCP project.
RDS Pay	(62)	(112)	The forecast underspend on RDS pay arose as implementation of the revised pay scheme was delayed until June, pending its approval by the Fire Brigades Union regional council.
Associate Trainers	55	142	The annual training plan was used to match planned training activity to staff available at the training centre. Where this was not possible, associate trainers were brought in to cover the shortfall. The reintroduction of wholetime courses this year would lead to an increased use of these, hence the forecast overspend.
Support staff (less agency staff)	(113)	(282)	The underspend to date related to vacant posts across various departments, which were in excess of the vacancy factor built into the budget. The majority of these vacancies had now been filled, although ICT and Knowledge Management remained problem areas.

			Note agency staff costs to date of £74k replaced vacant support staff roles, compared to support staff costs to date of £3,036k (i.e. agency staff were 2% of support staff). As highlighted previously the budget included a sum of £180k to allow for the recruitment of apprentices in the second half of the year. This recruitment had been delayed whilst an appropriate mechanism was identified, meaning that approx. £150k of the funding would not be utilised in the current year. The previous report proposed that any underspend on this budget should be carried forward as an earmarked reserve to meet on-going costs in future years, hence as part of the year end process the eventual underspend would be transferred to earmarked reserves, subject to Resources Committee approval in May as part of the revenue outturn reporting.
Apprentice Levy	(11)	(25)	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.

As the grey book pay award had not yet been agreed, the current forecast outturn underspend of £0.8m was calculated based on a 1% pay award. It was worth noting that each 1% pay award in excess of this equated to an additional cost of approx. £250k.

In addition, the purchase of the Water Tower described in the capital budget section was approved by the Planning Committee in November which would utilise £0.4m of the underspend.

In response to a question raised by CC O'Toole, the Director of Corporate Services confirmed that the Planning Committee had approved the purchase of 2 Water Towers, one to be purchased in the current year and, due to lead times; the second was included in the 2018/19 capital programme.

The Head of Fleet and Engineering reported to Members that the Water Tower would be built to order. In addition, the Chief Fire Officer confirmed the Water Tower had created a lot of attention nationally and was currently up for an invention award.

The Director of Corporate Services confirmed at the last Resources Committee meeting that any underspend would be carried forwards into general reserves, unless there was a specific requirement to transfer into earmarked reserves or capital funding reserves. He also confirmed that any proposed transfers into reserves would be considered as part of the outturn position that would be reported to the Resources Committee in June 2018.

Capital Budget

The Capital Programme for 2017/18 stood at £13.533m. A review of the programme had been undertaken to identify progress against the schemes as set out below. However it was noted as it had only been two months since the last report there was not a significant change from the previous reported position:-

Pumping Appliances	The budget allowed for the purchase of 6 pumping appliances for the 2017/18 programme, for which the order was placed in February 2017. We currently anticipated that these appliances would be delivered in early 2018. In addition, the budget allowed for the final stage payments in relation to the 5 pumping appliances carried from the 2016/17 programme, which were delivered during June and August. Spend to date related to completion of the 2016/17 appliances, and the first stage payment of the 2017/18 appliances. As such we anticipated all of this budget being utilised by year end.
Other vehicles	This budget allowed for the replacement of various operational support vehicles, the most significant of which were one of the Command Support Units and two Driver Training Vehicles. Requirements for these were currently being finalised with a view to undertaking a procurement exercise. However given requirements were still being finalised and taking account of anticipated lead times the final costs associated with the purchase of these would slip over into 2018/19. A Water Tower vehicle was currently on trial as a new fire-fighting concept. This lease expired before the end of the financial year and options were being considered around the longer term capabilities of such a vehicle within our fleet. These options were presented to Planning Committee who agreed to purchase 2 AT-Stinger appliances which would replace the standard existing Fire Appliances at Blackburn and Skelmersdale. We would need to fund the capital cost by an additional contribution of £0.4m from the revenue budget (thus reducing the forecast underspend).
Operational Equipment/Future Firefighting	This budget allowed for the replacement of Thermal Imaging Cameras (TICs), for which the tender process was underway. The budget allowed for the balance of the Future Fire Fighting equipment budget, the majority of which related to the purchase of the technical rescue jackets, following the regional procurement exercise, which would be delivered during the first quarter of the new financial year. The replacement of Breathing Apparatus Radios would slip into 2018/19, as options were being reviewed including the potential to undertake a regional procurement process.

Building Modifications	Completion of the new joint Fire and Ambulance facility at Lancaster had slipped into the first quarter of 2018/19, due to delays in the demolition of the existing station on the discovery of asbestos. In terms of the redevelopment of Preston Fire and Ambulance Station we completed the purchase of the additional land, as agreed by the Committee, in June. NWAS had now confirmed their intention to use the site as an ambulance station, therefore we were in the process of appointing consultants to take the project forward to detailed design and ultimately construction. This delay meant that no building works would take place in the current financial year; hence the majority of capital budget would slip into the next financial year. The budget also allowed for the outstanding sums due in respect of the replacement water main at STC and the completion of the Multi Compartment Fire Fighting prop, both of which had now been completed. The replacement Fleet workshop had been on hold pending further discussion with Police relating to a joint facility. However as requirements did not align, and the location deemed unsuitable for a vehicle maintenance facility, we would now progress this scheme, working up a detailed design prior to undertaking a tendering exercise. Whilst some costs may be incurred in the current year, the majority of this would slip into 2018/19. The final element of this capital budget related to investment in training assets at both STC and service delivery locations to maximise the efficiency and consistency of staff training, and in particular RDS staff. The exact requirements remained subject to review, however given the timeframes in finalising requirements, designing and tendering schemes it was highly unlikely that any significant costs would be incurred in the current year, and a further update on progress would be presented to the Committee once requirements had been finalised.
IT systems	The majority of the capital budget related to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, was offset by anticipated grant, however the timing of both expenditure and grant was dependent upon progress against the national project. We were due to receive an update in November however it appeared increasingly unlikely that we would incur significant costs in the current year. Given the delay on the ESMCP project the replacement station end project had also been delayed, however we were currently reviewing options to enhance resilience and ensure that any solution was compatible with the eventual ESMCP solution. As such we may incur some expenditure on this, but it was unlikely to be the full budgeted amount,

	£400k. The budget also allowed for the replacement of the Service's wide area network (WAN) providing an enhanced network and improving speed of use across the Service. The delivery of this was currently scheduled for the last quarter of the current financial year, when our existing contract expired. The balance of the budget related to the replacement of various systems, in line with the ICT asset management plan. Whilst procurement work was on-going to facilitate the replacement of some of these systems in the current year, we were still reviewing the need to replace others. Hence further updates on progress would confirm which replacements were being actioned in the current year and anticipated spend profiles.

Appendix 2 set out the capital programme and the expenditure position against this, as reflected above. The costs to date would be met by both capital grant and revenue contributions.

Delivery against savings targets
The current position on savings targets identified during the budget setting process was reported. The performance to date was ahead of target due to a combination of the underspend on salaries for the first six months, plus savings in respect of procurement activities during the same period. It was anticipated that we would meet our efficiency target for the financial year.

RESOLVED: - That the Committee:-

(i) Noted the financial position; and
(ii) Approved the capital purchase of the water tower vehicles.

33/16 TREASURY MANAGEMENT MID-YEAR REVIEW 2017/18

The report set out the Authority's borrowing and lending activities during 2017/18, which were in line with decisions taken in accordance with the Treasury Management Strategy and were based on anticipated spending and interest rates prevailing at the time.

In accordance with the updated CIPFA Treasury Management Code of Practice (2011) and to strengthen Members' oversight of the Authority's treasury management activities, the Resources Committee received regular updates on treasury management issues including a mid-year report and a final outturn report. Reports on treasury activity were discussed on a quarterly basis with Lancashire County Council Treasury Management Team and the Authority's Director of Corporate Services and the content of these reports was used as a basis for this report to the Committee.

Economic Overview
The key economic messages in the period were the increasing inflation, falling unemployment but reductions in the real wages. The Consumer Price Inflation (CPI) index rose in August to 2.9%, its highest since June 2013. This increase was largely

due to the fall in the value of sterling following the June 2016 referendum which had led to higher import prices. The new inflation measure CPIH, which included owner occupiers' housing costs, was at 2.7%.

The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". Subsequently at the MPC meeting of the 2nd November the base rate was increased to 0.5%.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expected the Bank of England to take only a very measured approach to any monetary policy tightening, any increase would be gradual and limited as the interest rate backdrop would have to provide substantial support to the UK economy through the Brexit transition.

<u>Interest Rate Environment</u>
Short term interest rates continued at the very low levels with the Bank of England maintaining the base rate to 0.25% throughout the first half of the financial year. However as noted above the base rate was increased to 0.5% in November.

<u>Outlook for Interest Rates</u>
Treasury Consultants Arlingclose Ltd forecast for interest rates issued in November took into account the increase in November. They stated that "The MPC had increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates were subdued. On-going decisions remained data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. Our central case for Bank Rate was 0.5% over the medium term. The risks to the forecast were broadly balanced on both sides".

<u>Borrowing</u>
There had been no new borrowing undertaken in the first six months of the year. This was in line with the continuation of the policy of using cash balances to fund capital expenditure which had resulted in no new borrowing being undertaken since 2007.

All the Fire Authority's existing borrowing was from the Public Works Loan Board. The long term debt outstanding at the beginning of the year was £5.514m which had remained unchanged up to 30th September.

However, the viability of repaying the PWLB loans was reviewed on a regular basis. As a result a report was submitted to the Resources Committee on 27 September which provided information on the impact of repaying the loans. As a result the Committee agreed to pay off all loans that matured in the next 10 years. Subsequently on 5 October loans of £3.184m were repaid which incurred a premium charge of £0.636m. Therefore the outstanding PWLB balance was reduced to £2.330m. Of this £0.330m was due to mature in December 2017 and was not repaid as PWLB do not normally accept repayments for loans with less than one year to maturity. Therefore the estimated balance at the end of the financial year was £2m.

Investments

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

The Authority principally invested in a call account provided by Lancashire County Council which paid the base rate. 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. During the period all new investments were placed with the County Council via this arrangement. At 30th September there was a balance of £41.081m with the average balance invested in LCC for the period was £33.951m.

In addition the Authority still had a long term investment that had been placed with UK local authority as outlined below. Another £5m investment matured in July and had been repaid.

Start Date	End Date	Principal	Rate	Annual Interest	Interest 2016/17
30/6/14	28/6/19	£5,000,000	2.4%	£120,000	£120,000

Therefore the total investment held at 30 September was £46.081m. As a result of the repayment of loans mentioned earlier the total level of investments reduced to £43.2m at 31st October 2017.

The overall rate of interest earned during this period was 0.61% which compared favourably with the benchmark 7 day index which averaged 0.24% over the same period. In order to increase the rate earned on current balances, the Authority would need to place fixed investments for a longer period of time. This would involve fixing investment for at least 6 months. This position was kept under constant review and suitable opportunities would be taken.

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

Prudential Indicators

In order to control and monitor the Authority's treasury management functions, a number of prudential indicators were determined against which performance may be measured. The indicators for 2017/18 were approved by the Authority on 20th February 2017. An update on performance to date was provided to the meeting.

With the repayment of the PWLB loans the current maturity structure of the debt was:

Under 12 months	14.2%
Over 10 years	85.8%

Although these were within the current Prudential Indicators once the maturing loan was repaid in December then 100% of the debt would be over 10 years. Therefore it was recommended that approval was given to increase the Prudential Indicator for the upper limit for debt in excess of 10 years to 100%.

Regulatory Updates

An update was provided on two relevant areas, namely moves towards the implementation of MiFID II and CIPFA consulting on changes to the Prudential and Treasury Management Codes.

CC O'Toole asked for an updated report on the debt restructuring to be presented at the next CFA December meeting.

RESOLVED: -That the Committee

(i) Noted and endorsed the report and;
(ii) Approved an amended Prudential Indicator to allow 100% debt to mature over 10 years.

34/16 FLEET ASSET MANAGEMENT PLAN

The Director of Corporate Services presented to Members the Fleet Asset Management Plan (FAMP). This was the fourth Fleet Asset Management Plan which continued to build on a structured approach to the management of operational vehicles, equipment, breathing apparatus and hydrant assets.

Running a modern Fleet was a safety critical operation that must ensure employee and public safety. This was achieved through best practice in vehicle inspection, maintenance, operation and procurement. LFRS also ensured compliance to Department of Transport and Driver & Vehicle Standards Agency (DVSA) regulations on construction, use and roadworthiness.

Key projects in the 2018/21 FAMP were:

- Body worn CCTV;
- Battery RTC Tools;
- Ladder policy and specification;
- Replace Command Support Units;
- Breathing Apparatus and Telemetry Equipment.

Running alongside the FAMP, Fleet and Engineering Services department also held an improvement plan, which focused on four key performance areas:

- Customer – building stronger working relations and meeting requirements;
- Financial – achieve efficiency savings and maintain a healthy replacement plan;
- Systems – continued development of asset management systems;
- Development / Growth – invest in staff training and development.

The above, in conjunction with the FAMP, ensured that the Fleet and Engineering Services continued to provide the best possible support to Service Delivery.

CC O'Toole thanked the Head of Fleet & Engineering for the excellent report which he found very informative.

In response to a question raised by CC O'Toole, the Head of Fleet & Engineering confirmed that the Authority used various frameworks such as the Police framework for purchase of the Service's support vehicles.

In response to a question raised by Councillor Williams, the Director of Corporate Services confirmed the life expectancy of an appliance and that the Authority had an agreed disposal policy for appliances at the end of their life.

RESOLVED: - That the Committee noted the report and endorsed the Fleet Asset Management Plan.

35/16 DATE AND TIME OF NEXT MEETING

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

Further meeting dates were noted for 25 May 2018 and 26 September 2018 and agreed for 28 November 2018.

36/16 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.

37/16 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 £50,000 and high value procurement projects in excess of £100,000 including: new contract awards, progress of ongoing projects and details of new projects with an anticipated value exceeding £100,000.

RESOLVED: That the Committee noted the report.

38/16 APPRENTICE STRATEGY

(Paragraphs 2 and 3)

The Director of People & Development provided Members with an update on the development of the Apprentice Strategy and of the current initiatives being undertaken. He explained the proposals had not been fully developed yet, due to uncertainly in the Government arrangements.

RESOLVED: That the Committee:-

(i) Noted the report; and
(ii) Endorsed the actions being developed.

39/16 CAR ALLOWANCE - TAX IMPLICATIONS UPDATE REPORT

(Paragraphs 2 and 3)

The Chief Fire Officer was not present for this item.

An updated report was provided by the Director of People and Development. County Councillor Tony Martin proposed to accept the financial implications as detailed in the report up to the cut over date of 1 January 2018 which was seconded by County Councillor Lorraine Beavers.

A vote took place at the request of County Councillor O'Toole and Councillor Williams. On being put to the vote 6 were in favour of accepting the financial implications and 3 against therefore it was

RESOLVED:- That the financial implications be met by the Authority up to 1 January 2018.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood