LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 26 September 2018, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

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

Officers

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

1/18 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Beavers and Councillor Blackburn.

2/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

During part 2, item 10 County Councillor George Wilkins declared a non-pecuniary interest which related to a contractor being located in his division.

3/18 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 21 May 2018 be confirmed as a correct record and signed by the Chairman.

4/18 REVISIONS TO THE STATEMENT OF ACCOUNTS 2017/18

The Core Financial Statements for the financial year ended 31 March 2018 were presented to the Resources Committee in May. The report confirmed that:-

- the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2018;
- this would be subject to review by the Authority's external auditors, Grant Thornton;
- that a further report would be presented to the Audit Committee in July, following completion of the external audit;
- at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer;
- Following this a final audited set of accounts will be presented to the Resources Committee for information.

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

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

The main issues within the report were as follows:-

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

The auditors had identified one adjusted mis-statement, relating to the treatment of our share of North West Fire Control, as set out on page 13-15 of the Audit Findings Report. The Statement of Accounts was updated to reflect the changes identified during the audit and a revised statement of accounts was approved by the Audit Committee in July, as considered by Members as now presented.

In response to a question raised by County Councillor O'Toole regarding potential changes to Manchester's membership on the North West Fire Control (NWFC) Board of Directors the Chief Fire Officer confirmed that the change of governance in Manchester to a Mayoral governance approach had led to fewer Members being available to attend meetings therefore Manchester had wanted instead to nominate Officers to sit on the Board.

It was noted that Manchester owned 52% of NWFC, Lancashire 25% with the remaining shared between Cheshire and Cumbria. The potential for a change in membership and any associated risk would be reviewed shortly by the Board's current representation with any resultant change requiring alteration to the Articles of Association.

In response to a question raised by County Councillor Wilkins, the Director of Corporate Services confirmed that building assets received a full valuation every 5 years with a desk top review undertaken every year. The Deputy Chief Fire Officer advised that the last review of fire stations concluded that they were broadly in line with our requirements. The stations were used jointly with the Police and Ambulance Services where possible and with other partners for community use.

In response to a question raised by County Councillor Hennessey regarding employee emoluments (detailed on page 66 of the agenda pack) and whether it was possible to show gender against these numbers the Director of People and Development advised that the annual workforce planning report did include this data which he would extract and provide to County Councillor Hennessey outside the meeting.

RESOLVED: - That the Committee noted and endorsed the revised Statement of Accounts.

5/18 FINANCIAL MONITORING 2018/19

The report set out the current budget position in respect of the 2018/19 revenue and capital budgets and performance against savings targets.

Revenue Budget

The overall position as at the end of July showed an overspend 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 £0.1m.

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

Area	Overspend / (Under spend) to 31 July	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Winter Hill	110	110	Cost agreed to date was £750k, however it was noted that all invoices had not yet been received in relation to the incident (including those from FRS who assisted) and as such we cannot accurately predict the final total cost. As this incident was covered by the Bellwin Scheme of Emergency Financial Assistance we would be making a claim under this and hence our total net costs should be limited to the threshold £110k. The Committee would be updated on final costs, once all claims had been received.
Fleet	38	72	Further to a discussion at the last

Services			meeting, the numbers ordered and potential costs of new hydrant installations over the last few years had been: Year / Number / Cost 1516 / 88 / £77k 1617 / 81 / £71k 1718 / 99 / £87k Historically these costs could take years from initial notification and calculation to the actual build completion, but the recent increase in new housing was having an impact on the budget. We were currently working with local planning offices to review options relating to these costs and the potential for housing developers to meet these.
Property	109	104	The overspend position related to premises repairs and maintenance. The forecast overspend reflected some of the new minor schemes approved in year to enhance station facilities such as enhanced female facilities.
Wholetime Pay	(48)	(300)	The following issues affected whole-time pay: • The budget allowed for an assumed 2% pay award last year, however to date no agreement had been reached on this, other than an interim 1%. Hence in the first four months of the year there had been an underspend of £100k. It was not clear whether this position would change or whether this had now been superseded by the 2018 pay award negotiations that were on-going. Should the position continue for the remainder of the year the total over provision within the budget would be £300k, which was reflected in the forecast shown • The budget also allowed for an assumed 2% pay-award for July 2018. Members noted that the Union and Employers Side had still been unable to reach an agreement on pay awards at the present time, hence the current underspend included £50k which related to the outstanding pay

			award. For the purpose of forecasting we had assumed that this would be agreed at 2%, backdated to July 2018, and had therefore allowed for a cost of £450k in the outturn position. • In order to maintain pump availability at key RDS stations we had continued to detach in wholetime personnel, with over 800 detachments taking place in the first part of the year. Where there were insufficient staff available to enable detachments to take place, the shortfall was met by overtime. In the year to date we had incurred £50k of overtime at key RDS stations, with the most significant costs incurred at Wesham, Preesall, Longridge and Garstang. (Detachments did not have an actual staff cost associated with them as they were undertaken by personnel on duty, although travel time may be claimable. However based on the numbers undertaken in the year to date this equated to a notional cost of approx. £100k.) • As in previous years the budget included a vacancy factor based on anticipated retirements, leavers and new recruits. During the first four months staffing numbers had been higher than forecast, due to fewer retirements (there were currently 6 personnel who were forecast to retire but had not yet done so) resulting in an overspend of approx. £80k for the first part of the year. It was impossible to accurately predict this going forward, but should this position continue throughout the year the total additional costs of maintaining 6 extra posts was £240k. • The budget also allowed for the recruitment of 12 FF apprentices in year, at a cost of £200k. Given the difficulty in establishing a suitable apprentice's scheme, as previously reported, it was clear that these would not be recruited until next year, and hence no costs would be incurred.

Control Staff	-	-	The budget had been amended to reflect the fact that whilst we employed two Control Staff, one had been seconded to work for the Home Office on the national ESMCP project. Hence the amended budget was in a breakeven position.
Retained (RDS) Pay	124	250	The following issues affected retained pay: • As referred to under whole-time pay the budget allowed for 2% pay awards in both years. Hence in the first four months of the year there had been an underspend of £15k. • For the purpose of forecasting we had assumed that the 18/19 pay award would be agreed at 2%, backdated to July 2018, and had therefore allowed for a cost of £60k in the outturn position. • Activity levels in the first 4 months of the year were higher than previous, reflecting increased hours of cover as well as an increasing number of incidents and hence pay costs were higher than forecast, £100k • In addition RDS recruits received wholetime pay during the recruits course receiving wholetime pay rates for two weeks, resulting in an overspend of £20k due to timing. Previously, the significant vacant posts in excess of the vacancy factor within RDS pay mitigated any overspends, however with the improvement in retention/recruitment these were more visible, and would be reviewed for the next financial year's budget.
Associate Trainers	21	30	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. There had been trainer vacancies throughout the year to date, which had resulted in the overspend shown.
Support staff (less agency staff)	(82)	(200)	The underspend to date related to vacant posts across various departments, which were in excess of the vacancy factor built into the budget.

			(Note agency staff costs to date of £12k were replacing vacant support staff roles, this still only accounted for less than 1% of total support staff costs). Some of these vacancies had now been filled, although a number of vacancies remained which were difficult to fill, most notably in ICT and Information Management, resulting in a forecast outturn underspend of £200k. The Service was continuing to review roles and structures before moving to recruitment.
Apprentice Levy	(5)	(20)	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.

It was noted that the forecast year end underspend only occurred due to the position outlined in respect of the 2017/18 pay award. Had this not been the case the forecast would have shown an anticipated overspend of £250k.

<u>Capital Budget</u>
The Capital Programme for 2018/19 stood at £16.7m. A review of the programme had been undertaken to identify progress against the schemes as well as potential slippage across the programme.

The overall position as at the end of July showed £1.8m of capital expenditure. The year end spend was currently anticipated at £4.1m, with £12.6m of slippage. Slippage was simply a timing issue dependent on the progress of capital schemes, and not an indication of future underspends, with the slippage on Preston Fire Station outlined below being a good example of this. This position was shown is set out below, and summarised in appendix 2 as now considered by Members: -

Pumping Appliances	The budget allowed for the purchase of 7 pumping appliances for the 2018/19 programme. As the supplier indicated that the cost of the crew cabs had significantly risen, alternative cabs were been sourced and the order had been updated to reflect this. However due to delays thus far delivery would not take place until next financial year, although some staged payments would be made in the current year.
Other vehicles	This budget allowed for the replacement of various operational support vehicles: • Two Command Support Units (CSU), the requirements were currently being finalised with a view to undertaking a procurement exercise. However taking account of

	anticipated lead times the final costs associated with the purchase of these, £0.6m, would slip over into 2019/20; • One Aerial Ladder Platform which was delivered during July; and • One Water Tower, which had been ordered and would be delivered during the financial year. • Various support vehicles which were reviewed prior to replacement. As the lead times on these were relatively short we anticipated utilising this budget in year.
Operational Equipment/Future Firefighting	This budget allowed for the purchase of the technical rescue jackets, following the regional procurement exercise, which were delivered at the end of May and were now in service. A further £200k related to the replacement of Breathing Apparatus Radios which were still being reviewed, including the potential to undertake a regional procurement process. Whilst some of this would slip into next year (£160k) we had committed to the purchase of fist microphones, which include noise cancelling facilities and hence enabled clearer voice transmission, thus aiding fire ground communications. The balance of £200k was to meet costs associated with on-going research projects relating to new equipment, and we anticipated utilising approx. £50k of this in the current year.
Building Modifications	Completion of the new joint Fire & Ambulance facility at Lancaster was expected by mid-August, however this had not yet been achieved. Contract variations of £41k had been agreed in respect of time delays due to the discharge of planning conditions, and upgrading the appliance bay doors, however the final position in respect of variations was still being discussed with the contractors. Final handover of the building was expected to take place in October. In terms of the redevelopment of Preston Fire Station, it was noted that NWAS had now confirmed that they did not intend to share in a joint redevelopment of the site as it did not tie in to their longer term estates strategy. As such we had advised them that they will need to quit the site, by the end of July to enable our own redevelopment works. We were currently in the process of designing a tender specification in order to appoint consultants to take the project forward, including the redesign of the station/site. It was clear that the delays caused by NWAS would push the start of any build back into 2019/20, and hence the majority of the project costs would slip into that year, (£6.75m). The replacement Fleet workshop was currently undergoing a detailed design prior to undertaking a tendering exercise, and again spend was likely to slip into 2019/20. The final element of this capital budget related to the

	balance of the Training Centre redevelopment works, largely relating to groundworks which would only be carried out following completion of the Fleet workshop.
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. This national project had suffered lengthy delays to date, and it was likely that both elements of the budget would slip into 2019/20. Given the delay on the ESMCP project, the replacement station end project had also been delayed. However we could not delay this indefinitely and had therefore commenced work to replace the station end in the current financial year, whilst ensuring that any solution would be compatible with the eventual ESMCP solution. The budget also allowed for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service, and having agreed a contract for this we anticipated this being completed in the current financial year. 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. For the purpose of forecasting we had assumed that these would slip into 2019/20.

Expenditure to date had been funded from the on-going revenue contributions, with the majority of the year end forecast also being met by this, supported by capital reserves.

Delivery against savings targets

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

In response to a question raised by Councillor Williams regarding the savings target that included smoke detectors, the Director of Corporate Services confirmed that the target was reviewed and updated annually. Members noted that the manufacturer managed any replacement process and that the initial failure rate of 10% had now reduced to 1%.

In response to a question raised by County Councillor Wilkins regarding the impact on the Authority in 2021 of the Government's proposal to move to 100% retention of business rates the Director of Corporate Services advised the Authority's response to the local government finance settlement technical consultation had been submitted following the last Authority meeting in September. He confirmed that the Treasury would ask all Government Departments to submit their business case to justify funding requirements for the next Spending Review and the Treasury would subsequently allocate funding to Departments. Currently the Authority's funding came in part from revenue support grant, part from baseline funding including a business rate top up from Government. The Government's intention was to provide a strong incentive for local authorities to grow business rates in their area and generate additional funding however the Authority had very little if any impact on business rates. When the funding moved from the revenue support grant to 100% business rates it should be cost neutral but the detail was not available at the moment.

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

6/18 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 28 November 2018 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 27 March 2019 and agreed for 29 May 2019 and 25 September 2019.

7/18 URGENT BUSINESS - LANCASHIRE BUSINESS RATES POOL: 75% BUSINESS RATES RETENTION PILOT

The Director of Corporate Services advised that further to the report to the last Authority meeting in September where Members noted that Lancashire Leaders were considering the potential for Lancashire to bid to be in a 1-year pilot pool for 75% business rates retention and following subsequent consultation with the Chairman he could confirm that the Leaders had agreed to submit a bid which included all districts in Lancashire except Lancaster City Council who had formally withdrawn from the process owing to the significant risk represented by the nuclear power station at Heysham. It was noted that Lancaster were not members of the current pool arrangement for the same reason. Without Lancaster in the pool, the extra growth forecast reduced to just over £7m. Members also noted that:

- The 2019/20 pilots would not benefit from the 'no detriment' clause enjoyed by existing 100% pilots. Instead the safety net threshold for the entire pool would be raised from 92.5% to 95% to recognise the increased risk sharing.
- Participating councils would also be exposed to a higher level of business rate risk for the duration of the pilot in 2019/20. There would be a higher share of any losses, arising as a result of appeals, bad debts and empty premises, being 75% rather than the current 50%.
- The Safety Net threshold would only be activated by Central Government on a pool wide basis and was therefore unlikely to be triggered. As such each

authority would bear its own risk over and above the 5% Resilience Fund created by the additional growth.

Authorities selected as pilots would be expected to forgo Revenue Support Grant (£8.4m in 2019/20 for the Fire Authority), but the value of these grants would be taken into account when revised tariffs and top-up's for the pilot authorities were set up but the impact on the Fire Authority and other participating authorities would be revenue neutral.

The new 75% pilot, if successful, would allow Lancashire authorities to influence the policy and approach taken by Central Government on any future national scheme. Having 2019/20 as essentially a transitional year would provide an opportunity to test and gather information on the design of the new business rate retention system in preparation for the anticipated national implementation of the new arrangements in 2020/21.

Whilst it was impossible to project with any accuracy the 2019/20 financial position in terms of Business Rates Retention, based on the 2018/19 NNDR1 modelling, there was the potential for £140k additional growth to remain with the Fire Authority with our contribution to the resilience pot estimated to be £10k and £50k to the investment fund for use across Lancashire. A contribution of £2,000 or a similar amount would be made to the Lead Authority.

<u>RESOLVED</u>: - that the report be noted and endorsed.

8/18 <u>EXCLUSION OF PRESS AND PUBLIC</u>

<u>RESOLVED</u>: - 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.

9/18 <u>IDRP STAGE 2 - DAY CREWING PLUS PENSIONABILITY</u>

(Paragraphs 3 and 4)

The Director of People and Development presented a report that outlined the background and current position in respect of the pensionability of the Day Crewing Plus Allowance.

<u>RESOLVED</u>: - Members endorsed the first three recommendations as set out in the report and requested a legal opinion be provided before determining the last recommendation.

10/18 <u>HIGH VALUE PROCUREMENT PROJECTS</u>

(Paragraph 3)

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

RESOLVED: That the Committee noted and endorsed the report.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood