LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Wednesday, 27 March 2019, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

F De Molfetta (Chairman)
N Hennessy (Vice-Chair)
T Martin
D O'Toole
D Stansfield
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)
D Brooks, Principal Member Services Officer (LFRS)

22/18 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Lorraine Beavers and Councillors Simon Blackburn and Fred Jackson.

23/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

County Councillor Nikki Hennessy declared a non-pecuniary interest in relation to item 6 on the agenda, Pension Board – Firefighters' Pension Schemes Update as she had been asked by the Local Government Association to be a member of the Firefighters' Pensions Scheme Advisory Board.

24/18 MINUTES OF THE PREVIOUS MEETING

In response to a request from the Chairman regarding the £1m costs of the Winter Hill incident the Director of Corporate Services confirmed that the Home Office had been contacted on several occasions regarding the claim submitted under the Bellwin Scheme and there appeared to be ongoing debate with the Ministry of Housing, Communities and Local Government (MHCLG) on where the claim sat. As it was financial year end the following week, the Director of Corporate Services would liaise with the auditors regarding the treatment of these costs which could impact on the drawdown of reserves. It was discussed and agreed that the Chairman, CC De Molfetta should write a letter to the Home Office either separately or collectively with Greater Manchester Fire and Rescue Service.

In response to a question raised by County Councillor O'Toole regarding the property overspend position reported on page 3, the Chief Fire Officer advised that the budget was well managed however additional work had been undertaken on female facilities at the request of the Executive Board. The Director of Corporate Services added that this overspend related to the revenue budget position, covering day-to-day repairs and small projects, large projects were reported as part of the High Value Procurement Report considered separately under part 2 of the agenda.

County Councillor Wilkins queried whether the apprentice levy funds could be better used. The Director of People and Development confirmed that managerial training had been identified and there had been changes to the number of green book apprentices. He advised that as support functions were not very large there were not many opportunities for apprentices and more of the fund would be spent once the firefighter apprenticeships standards had been approved. He confirmed that an application had been submitted for the Service Training Centre to be an approved training provider but a timescale for the approval process was currently unknown.

County Councillor O'Toole expressed concern regarding the continued overspend on property and following discussion under this agenda item and later under item 13 of the agenda it was agreed to establish a politically balanced sub-committee that would enable Members to better scrutinise contract variations on building projects. Political group leaders would advise the Clerk of their representatives outside the meeting.

RESOLVED: - That:

i) The Minutes of the last meeting held on 28 November 2018 be confirmed as a correct record and signed by the Chairman; and
ii) A politically balanced Resources Sub-Committee of 5 Members be established to scrutinise contract variations on building projects.

25/18 CHIEF FIRE OFFICER SUCCESSION ARRANGEMENTS

The Director of People and Development advised that the Panel Members (as approved at the Authority in February 2019, resolution 71/18 refers) had undertaken the recruitment and selection process for the Chief Fire Officer post and had appointed Justin Johnston with effect from 1 May 2019. It was noted that the original application process had been extended by Members and a second application was received from the National Fire Chief's Council website and both candidates were interviewed.

The Panel was now looking to appoint a Deputy Chief Fire Officer. The Director of People and Development advised that in the Pay Policy Statement discussed at the Authority meeting in February 2019 it was agreed that a salary review would be undertaken and adjusted prior to advert. The Panel had agreed the salary range to be £130,000 - £135,000 and to advertise for 28 days internally, on the National Fire Chief Council website and a national paper. It was proposed and agreed that the same Panel would undertake the recruitment and selection process early in May after the local elections had concluded.

County Councillor Wilkins on behalf of the Committee thanked Mr Kenny for his valued work and contribution.

RESOLVED: - That the report be noted and endorsed.

26/18 FINANCIAL MONITORING

The Director of Corporate Services presented the report that 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 January showed an overspend of £0.1m. Trends were being monitoring to ensure that they were reflected in next year's budget, as well as being reported to Resources Committee. At the last meeting a forecast position of £0.1m underspend was presented. Since then the Government had confirmed the following additional sources of income:-

- The National Business Rates (NNDR) Levy fund surplus allocation being paid to Lancashire Fire and Rescue Service (LFRS) before the end of the financial year. The NNDR Levy Fund was created by the Government to fund business rates safety net grant payments from previously held back NNDR monies, any unused funds were now being redistributed, with LFRS receiving £237k. (This was announced alongside the Finance Settlement for 2019/20 during December, with no prior indication);
- The national government exercise to audit the Section 31 grants in relation to Business Rates Reliefs for 2017/18 had now been completed, and as a result the Authority would receive a further £192k from Central Government in relation to this. (Confirmation of this was received in the middle of February, with no prior indication of this amount.)

As a result a year end underspend of £0.5m was forecast.

The year to date and forecast outturn positions within individual departments were presented in Appendix 1 of the report with major variances relating to non-pay spends and variances on the pay budget shown separately in the table below: -

Area	Overspend / (Under spend) to 31 Jan	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Service Delivery	191	243	The majority of both the year to date and outturn positions reflected the replacement of firefighting gloves and helmets to all operational staff during the year, in addition to investment in equipment for the specialist wildfire unit based at Bacup.
Winter Hill	110	110	Although the total cost was £1.2m, as reported previously details had been submitted to MHCLG under the Bellwin Scheme of Emergency Financial Assistance and hence it was anticipated the total net costs being limited to the threshold of £110k.
Prince's	(84)	(85)	On completion of the 17/18 academic

Trust			year Prince's Trust received an extra £42k team funding from Preston College in excess of the amount initially indicated. In addition £56k of European Social Fund money had been accessed for team members who were not eligible for standard funding. As this funding was only available for 16-18 year olds unless already claimed by another learning provider, this income had not been included in the base budget.
Property	116	140	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.
Pensions	25	63	The current and outturn positions reflected the three ill health retirements in the year to date, and one more anticipated before the end of the financial year. This position might still alter until exact costs and timing were finalised.
Non DFM	(166)	(647)	The year to date underspend was largely due to the increase in the bank base interest rate during the year, which increased interest receivable on call account balances with Lancashire County Council, and also interest receivable on several fixed term investments which had been put in place commencing in the second half of the year. • The outturn position reflected the above, and the additional £429k of income from central government, as referred to earlier.
Wholetime Pay	(204)	(318)	The following issues affected whole-time pay: • The budget allowed for an assumed 2% pay award last year, however this did not transpire, hence in the first eight months of the year there had been an underspend of £200k. (With a full year effect of £300k). • Overtime was overspent by approx. £40k the majority of which was attributable to the continuing policy of detaching wholetime personnel into key RDS stations. • 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 were higher than forecast, due to fewer retirements, leading to overspend of approx. £100k. Since then the position had reversed due to the number of retirements coupled with several personnel leaving the service early. Hence we anticipated a broadly balanced position in respect of this at the year end. • The budget also allowed for the recruitment of 12 FF apprentices in the second half of the year, at a cost of £256k. 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.
Retained (RDS) Pay	234	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 ten months of the year there had been an underspend of £36k. • Activity levels in the first 10 months of the year were higher than previous (excluding Winter Hill), reflecting increased hours of cover as well as an increasing number of incidents and hence pay costs were higher than budgeted. • In addition RDS recruits received wholetime pay during the recruits course for two weeks, resulting in an overspend of £40k due to the two RDS courses run to date. Previously, the significant vacant posts in excess of the budgeted vacancy factor within RDS pay had mitigated any overspends, however with the previous marginal improvement in retention/recruitment and the increased activity costs these were more visible, and had been amended for the next financial year's budget. The forecast position was a lower underspend than previously predicted which reflected that there had been more leavers than new recruits in the second half of the year.
Associate	69	77	The annual training plan was used to

Trainers			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 several ongoing trainer vacancies throughout the year to date, which had resulted in the overspend shown, but were counteracted by corresponding underspends within wholetime pay. In addition, it had been agreed that associate trainer could be used to facilitate the 'have a go' days which were part of the wholetime recruits process at an estimated cost of £10k.
Support staff (less agency staff)	(226)	(291)	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 £70k were replacing vacant support staff roles, which accounted for just over 1% of total support staff costs). Although some vacancies had been filled, there were a number of vacancies which had proven historically difficult to fill, most notably in ICT and Information Management, resulting in a forecast outturn underspend. The Service continued to review roles and structures before moving to recruitment.
Apprentice Levy	(15)	(19)	The apprentice levy was payable at 0.5% of each month's payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflected the various pay budget positions reported above. It was noted that due to delays in apprenticeships standards being approved it had not been possible to utilise the levy payments made to HMRC since April 2017. The outcome of this was that funds that had been in the levy account for 24 months and had not been utilised would be clawed back by HMRC. Whilst this would not affect the current year it would impact next year. At the present time a claw back of around £10k per month was anticipated until this could be fully utilised for training costs. An application had been submitted for STC to be an approved training provider, in order to access HMRC levy funds to match

			training costs; with approval expected to be granted early in the new financial year.

Any proposed year end transfers into reserves would be considered as part of the outturn position to be reported to the Resources Committee in May 2019.

County Councillor Wilkins asked whether the excellent work of the Prince's Trust which he was proud of could be increased. The Chief Fire Officer advised that the Prince's Trust was independent, self-sustaining and funded by the college. He explained that any consideration to expand would depend on the sustainability of the funding. County Councillor N Hennessy requested a Members' briefing on the Trust to include members of the Prince's Trust team.

Capital Budget
The Capital Programme for 2018/19 stood at £4.1m, as reported previously. A review of the programme had been undertaken to identify progress against the schemes. The overall position as at the end of January showed £2.9m of capital expenditure. The current anticipated year end spend was £3.4m, with £0.7m slippage. This position was shown as set out below, and summarised in Appendix 2 of the report as now considered by Members: -

	Spend to date	Forecast Year End Spend	
Pumping Appliances	0.4	0.4	The budget allowed for the first stage payment for the 6 pumping appliances ordered for the 2018/19 programme. A 7th pumping appliance was ordered to replace two Driver Training Vehicles, following approval by May Resources Committee, although the timing of the first stage payment wasn't allowed for in the 2018/19 budget. As the vehicle was currently in build the stage payment had been made, creating an overspend of £58k in year, however the remainder of the budget for all 7 appliances had been included in the 2019/20 draft programme.
Other vehicles	1.1	1.3	This budget allowed for the replacement of various operational support vehicles: • One Aerial Ladder Platform which was delivered during July. • One Water Tower, which was scheduled for delivery during the financial year. • Various support vehicles which were reviewed prior to replacement. Although the lead times on these were relatively short, it was anticipated that there would be some slippage into the next financial year.
Operational	0.4	0.5	This budget allowed for the initial purchase

Equipment/ Future Firefighting			of technical rescue jackets, following the regional procurement exercise, which were delivered at the end of May and were now in service. £40k related to the purchase of fist microphones, which included noise cancelling facilities and hence enabled clearer voice transmission, thus aiding fire ground communications. The balance of £50k was to meet costs of kitting out three reserve appliances with equipment to speed up handover for vehicle servicing, and it was anticipated this would be used in the current year.
Building Modifications	0.6	0.8	Completion of the new joint Fire & Ambulance facility at Lancaster was completed in October. 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 there was a further £40k variations still being discussed with the contractors. In terms of the redevelopment of Preston Fire Station, the budget allowed for £0.1m of fees which was unlikely to be incurred before the end of March, hence was included in slippage into 2019/20. The final element of this capital budget related to the balance of the Training Centre redevelopment works, largely relating to two main elements: • the replacement welfare/ICT porta-cabin which was expected to be completed before the end of the financial year; and • fleet workshop, where final design plans were being drafted however these formed part of a larger site masterplan. The development of the site master plan was on hold pending discussions with Lancashire Constabulary about joint use of the facility, therefore the budget would slip into the next financial year.
IT systems	0.4	0.6	Given the delay on the ESMCP project, the replacement station end project had also been delayed. However this could not be delayed indefinitely and work had therefore commenced 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. Having agreed a contract for this implementation would begin, but it was anticipated that about half of this budget would be spent in the next financial year.
Total	2.9	3.4	

Expenditure to date had been funded from the on-going revenue contributions, earmarked reserves and capital reserves.

Delivery against savings targets
The performance to date was now ahead of target, due salary underspends and procurement activities during the period, less current operational equipment overspends. It was anticipated that savings targets would be met for the financial year.

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

27/18 PENSION BOARD - FIREFIGHTERS' PENSION SCHEMES UPDATE

The Director of People and Development presented the report that outlined to Members the scope of activities of the Local Firefighter Pension Board up to 27 March 2019 and gave Members the opportunity to raise any issues in respect of the effectiveness of the local management of the pension schemes.

In terms of activity, since the Local Firefighter Pension Board was set up in 2015, the work of the Board had been shaped by the Board members and by Officers supporting the Board. Regular agenda items to the Board have been developed and these were:

- National Developments to provide the Board with the latest information on areas of significant pension work, and included both local and national issues. As well as enhancing the knowledge and understanding of Board members, this regular item served to prompt discussion about the impact of issues on pension scheme members and about how workloads were being managed. This helped to achieve the Board’s purpose of securing effective governance and administration.

- Recent items have included updates on: the FBU legal transitional protection challenge; work of the National Scheme Advisory Board; Valuation outcomes and ensuing consultation; reconciliation of contracting out payments; termination payments and abatement requirements.

- Management of the scheme issues such as membership levels, completion of annual benefit statements and performance of our administrative body.

- Update on any LFRS IDRP or Pension Ombudsman cases.

- Communications issues.

- Pension audit outcomes.

Other areas of governance that had been discussed at Board meetings included:

- Employer discretions under the firefighter pension schemes. Discretions were presented to the Board for information, and the process by which Officers make decisions about discretions had been explained.
- The Board was kept informed of progress towards sending out of Annual Benefits Statements to members of the scheme and other administrative matters.

The Local Firefighter Pension Board was now well established and had made good progress in improving the knowledge and understanding of the Board about pension issues, and ensuring that governance and administration of pensions was carried out effectively. Work had also been undertaken to communicate with pension scheme members about pension issues and to raise the profile of this important subject. The Board would continue to ensure that good practice was maintained and ongoing improvements made in line with advice from the Scheme Advisory Board and The Pension Regulator.

RESOLVED: - that the report be noted and endorsed.

28/18 GENDER PAY GAP

The Director of People and Development presented the report. The Equality Act (2010) (Specific Duties and Public Authorities) Regulations 2017 came into force on 31 March 2017. These regulations imposed a legal obligation for employers with 250 or more employees to publish gender pay details each year.(by 30 March for public sector employers) to highlight the difference in gross pay and bonus payments made to female as compared with male employees. The calculation followed government guidance to ensure consistency and this was our second report.

Building on last year's report, the Service had and was making improvements in its gender breakdown difference, with the latest recruitment processes for whole-time recruitment showing clear progress. The Service also had for many years had clear pay structure arrangements (as outlined in the Pay Statement) which provided for equal pay for both men and women across the roles throughout the organisation. Members had previously endorsed the single status approach for "green book" employees utilising the local authority job evaluation methodology and the adoption of the living wage principles. It therefore did not have an equal pay issue within the Service. (Men and women who carried out the same jobs or similar jobs or work of equal value were paid the same).

It was recognised, however, that like all fire and rescue services, the Authority had an unbalanced spread of male and female employees in the different occupational staff groups and at different levels and roles. A significant factor was the different construction of Terms & Conditions and remuneration between the "Grey" and "Green" book roles. These factors reflected the diversity and differences in activity and requirements and were two significant reasons for the gender pay gap outcomes.

In addition, the mean gender pay gap was significantly affected by the inclusion of certain groups as required by the statutory methodology utilised to calculate the position. This produced an anomaly between the mean and the median averages.

The Executive Board believed that excluding the RDS and Dual contract staff in the headline figure would provide a more realistic reflection on the position of LFRS but this would conflict with the government instructions, which was intended to allow comparisons across all sectors.

The report therefore showed a Gender Pay Gap of:

MEAN - positive of 3.23% MEDIAN - negative of 16.95%

The Director of People and Development advised that last year all sectors of the economy showed a negative pay gap and that the Government had produced 2 documents to help employers reduce the gender pay gap, these were:

- 8 ways to understand your organisation's gender pay gap; and
- Four steps to developing a gender pay gap action plan.

These documents provided areas to help employers to identify potential causes of the gender pay gap in their organisation and develop an effective action plan to tackle it. The Director of People and Development confirmed that the Service already practiced the approaches suggested.

In response to a question raised by County Councillor O'Toole the Director of People and Development confirmed that staff on the same grade received the same rate of pay.

RESOLVED:- That the Resources Committee noted the report and authorised the publication of the Gender Pay Gap Report.

29/18 2019/20 BUDGET UPDATE

The Director of Corporate Services presented the report that provided an update on 2019/20 budget in respect of pension costs and amended council tax collection fund surplus figures. Dependent upon whether any additional funding was provided to meet the increased costs of the employer pension contributions, the Authority was potentially looking at an increase in its budget requirement of £0.4m, which it would have to meet from reserves.

Pension Costs

At the time of setting the 2019/20 budget the Treasurer highlighted that the Home Office had advised that the latest valuation of the Firefighter pension's scheme had identified an average increase of 12.6% in employer contribution rate, moving from 17.6% to 30.2%. This equated to an additional cost of £3.3m. However the Government had allowed an additional £2.6m of funding in 2019/20 to offset some of this pressure hence the net additional cost to the Authority, and allowed for in the budget, was £0.7m.

At the time the Treasurer confirmed that the split by individual pension scheme had not been provided, only the average, and hence the actual additional cost would vary according to the mix of personnel in each pension scheme.

The Home Office released the results of the valuation in March, providing details of the increase in employer contributions for each scheme as set out below:-

	92 Scheme	2006 Scheme	2015 Scheme
Previous Employer Contribution Rate	21.7%	11.9%	14.3%
New Employer Contribution Rate	37.3%	27.4%	28.8%
Increase	15.6%	15.5%	14.5%

The lowest increase was 14.5% and whilst the actual increase for each Authority would be dependent upon their mix of personnel in each scheme it was clear that as a minimum the increase could not be lower than this, and definitely not the 12.6% quoted.

Having looked at this for ourselves, based on numbers of personnel in each scheme our actual average increase was 14.7% and our therefore our forecast cost increase was £0.5m higher than allowed for in the budget.

Contact had been made with the Home Office to identify where the 12.6% increase came from, as it was obviously too low, and we had been advised that this took account of the change in mix of personnel since the last valuation. This meant that as personnel transferred from the more expensive 92 Scheme to the 2015 Scheme, the average employer costs had fallen. Whilst this was factually correct, previous budgets had already been adjusted to account for this, taking out £0.6m over the last 3 years. It was noted that the majority of Authorities were in similar positions.
At the time of publishing the average increase, the Home Office advised that the estimated total increased costs for the sector was £107m and that HM Treasury had indicated that they would provide additional funding in 2019/20 to mitigate most of the increase with public sector bodies standing only the additional costs announced at Budget 2016. This meant that Fire would only stand £10m of the additional cost with the remaining £97m being met by additional grant. They went on to say that costs in subsequent years would be considered as part of the next Spending Review. Given the fact that the basis of the additional costs was under-estimated the Sector had gone back to the Home Office asking them to review the actual position and seek additional funding to offset this, to ensure that the sector only stood the additional £10m costs referenced above. It was too early to say what the outcome of this would be, but if funding remained unchanged we were looking at an additional in-year cost pressure of £0.5m. If no funding was provided this would have to be met from reserves. An update would be provided at a future Committee once the final position became clear.

<u>Council Tax Collection Fund</u>
As part of the budget setting process billing authorities provided details of their overall council tax collection fund, and our share of that. After setting the budget we wrote out to each billing authority confirming the level of council tax, their share of the precept, the collection fund and business rates, so that they could arrange the relevant payments. As a result of this it had been identified that we had shown one of the Authorities as having a £28.5k deficit in the collection fund, whereas it was actually a £28.5k surplus. Therefore our share of the County wide collection fund was £59k higher than shown in the budget.

It should be noted that this would simply have reduced the funding gap shown in the budget report, reducing it from £495k to £436k, and we would therefore have identified a lower additional savings target of £136k.

Dependent upon whether additional funding was provided to meet the additional costs of the pension increase, the Authority was potentially looking at a net increase in its budget shortfall of £0.4m. It was unrealistic to think this could be met form increasing the in-year savings target; as such it was proposed that any eventual additional costs should be met from reserves.

RESOLVED: - That the Committee noted the increased costs and endorsed the action taken.

30/18 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee would be held on Wednesday, 29 May 2019 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 25 September 2019 and 27 November 2019 and agreed for 25 March 2020.

31/18 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.

32/18 ISO 45001:2018 HEALTH & SAFETY AND ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEMS ASSESSMENT AUDIT REPORTS

(Paragraphs 1 and 2)

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

It was noted that in 2011 Lancashire Fire and Rescue Service (LFRS) was successful in certification to ISO 14001 the International Standard for Environmental Management Systems and OHSAS 18001 the Health and Safety Management System standard.

Each year surveillance audits were carried out to ensure that the standards continued to be adhered to and to ensure continuous improvements were made. Every three years LFRS had to apply for re-certification to maintain the standards.

This year LFRS made the transition from OHSAS 18001 to the new health and safety standard ISO 45001:2018 and received a surveillance audit for ISO 14001:2015.

On 28 February 2019 on completion of the 2019 audit LFRS was recommended for continued certification to ISO 14001:2015 and for certification to ISO 45001:2018 with no non-conformities or suggested areas for improvement being identified. To achieve and maintain these standards at the same time clearly demonstrated that robust systems were in place for both the environment and health and safety.

RESOLVED: - That the report be noted and endorsed.

33/18 HIGH VALUE PROCUREMENT PROJECTS

(Paragraph 3)

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

RESOLVED: That the Committee noted and endorsed the report.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood