Appendix 1

Lancashire Combined Fire Authority
Resources Committee

Wednesday, 3 July 2024, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

Minutes

Present:	
Councillors	
M Pattison (Vice-Chair)	
G Baker	
F De Molfetta	
N Hennessy	
T Hurn	
R Woollam	

Officers
S Healey, Deputy Chief Fire Officer (LFRS) J Charters, Assistant Chief Fire Officer (LFRS) S Brown, Director of Corporate Services (LFRS) B Warren, Director of People and Development (LFRS) E Sandiford, Head of Human Resources (LFRS) M Nolan, Clerk and Monitoring Officer to the Authority S Hunter, Member Services Manager L Barr, Member Services Officer (LFRS)
In attendance
K Wilkie, Fire Brigades Union

1/24	**Apologies for Absence**
	Apologies were received from County Councillors D O'Toole and S Serridge and Councillor Z Khan MBE. County Councillor N Hennessy was in attendance as substitute.
2/24	**Disclosure of Pecuniary and Non-Pecuniary Interests**
	None received.
3/24	**Minutes of the Previous Meeting**
	Resolved: That the Minutes of the last meeting held on 27 March 2024 be

	confirmed as a correct record and signed by the Chair.
4/24	**Year End Treasury Management Outturn 2023/24**
	The Director of Corporate Services advised that this report set out the Authority's borrowing and lending activities during 2023/24. All treasury activities undertaken throughout the year were in accordance with the Treasury Management Strategy 2023/24. **Economic Overview** The treasury management activity was undertaken against a backdrop of inflation being above the Bank of England's target and consequently in the first part of the year increasing Bank Rate. With generally weak growth and falling inflation attention turned to when Bank Rate would peak and whether or not there would be subsequent reductions. At the start of the year UK inflation was at 8.7% which was a fall from the peaks seen in 2022/23. The year saw inflation continuing to fall and in March 2024 the rate was at 3.2%. However, this was still above the Bank of England's 2% target at the end of the period. The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year Gross Domestic Product (GDP) growth only expanded by 0.1% compared to 2022. Towards the end of the financial year there were signs of an increase in activity with the Office for National Statistics (ONS) reporting that the economy expanded by 0.2% in January 2024. Subsequently, the first estimate of the UK GDP in Q1 (January to March) 2024 is estimated to have increased by 0.6%. Having begun the financial year at 4.25%, the Bank of England's (BoE) Monetary Policy Committee (MPC) increased the Bank Rate in May, June and August to reach a level of 5.25%. The Bank Rate was maintained at 5.25% through to March 2024. Generally, forecasts have seen 5.25% as the peak rate and following the Bank's quarterly Monetary Policy Report (MRP) in February which showed the Banks expected growth in the UK economy in the first half of 2024 and headline consumer price index (CPI) was to fall below target many forecasters anticipated that interest rates will most likely start to be cut in the second half of 2024. Sentiment in financial markets during 2023/24 remained uncertain and bond yields, which determine the borrowing rates from the Public Works Loan Board (PWLB), continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to high inflation. From October they started declining again before falling sharply in December as falling

inflation caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE were not inclined to cut rates soon, until yields rose once again.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28 March 2024).

Borrowing Overview
The borrowing levels of the Fire Authority remained unchanged at year end at £2m with no new long-term loans being taken. The existing loans were taken out with the PWLB in 2007 when the base rate was 5.75%; with 3 loan amounts, maturity dates and respective interest rates set out in the report. Total interest paid on PWLB borrowing was £90k, which equates to an average interest rate of 4.49%. The authority did take a temporary loan during the year of £5m to cover a cashflow deficit for two weeks. The interest payable on this was £0.005m at a rate of 5.25%.

The approved capital programme had no requirement to be financed from borrowing until 2026/27 and the debt related to earlier years' capital programmes. While the borrowing was above its Capital Financing Requirement (CFR), which is the underlying need to borrow for capital purposes, this was 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.

If the loans were to be repaid early there would be an early repayment (premium) charge. Previous reports on treasury management activities have reported that the premium and the potential loss of investment income have been greater than the savings made on the interest payments therefore it was not considered financially beneficial to repay the loans especially with the potential for increased interest rates. As at 30 September the estimated premium charge to repay the three loans was minimal, although rates and the premium changed on a daily basis. To offset the net savings on repaying the loans, it was estimated that future interest on investments over the remaining period of the loans would need to be 4.5%. If it was estimated that investment interest rates would be lower than this figure, then it may have been beneficial to repay the loans. It was concluded that the repayment was not considered to be financially beneficial at the time as the expectation was that interest rates would fall during the period for which the loan was outstanding. However, the situation was, and continues to be periodically reviewed by the Director of Corporate Services.

Investments
Both the CIPFA Code and the then Ministry of Housing, Communities and Local Government (MHCLG) Guidance required the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. Throughout the year when investing money, the key aim was to strike an appropriate balance between risk and return.

In order to reduce credit risk to the Authority, Lancashire County Council (credit rating by Moodys A2) was 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 high-quality counterparties including other local authorities. During the year the total cash held by the Authority was positive with the highest balance being £49.0m and the lowest £25.8m. For the monies invested with Lancashire County Council the range was £34.0m to £0.7m. The balance of the call account at year end was £4.185m. By placing monies in longer term fixed rate investments, it was anticipated a higher level of interest would be earned. However, having fixed term deals does reduce the liquidity of the investments and therefore their use is limited. At the year-end fixed investments of £23.5m were in place. During the year three fixed term investments had matured and 5 new investments were made. The table on page 15 of the agenda pack showed the interest earned on fixed term investments in 2023/24. The call account provided by Lancashire County Council paid the base rate throughout 2023/24. Each working day the balance on the Authority's current account was invested in this to ensure that the interest received on surplus balances was maximised. The average balance in this account during the year was £17.7m earning interest of £0.896m. The overall interest earned during this financial year was £1.566m at a rate of 4.45% which compares unfavourably with the benchmark 7 day index (Sterling Overnight rate 7 day rate) which averages 4.96% over the same period. The main reason for this under performance was due to the fixed deposit taken with low rates out in previous financial periods. All of these investments were made in accordance with the current Treasury Management Strategy and the CIPFA treasury management code of practice. Cash flow and interest rates continued to be monitored by the Director of Corporate Services and the County Council's treasury management team, and when rates were felt to be at appropriate levels further term deposits would be placed. **Prudential Indicators** In order to control and monitor the Authority's treasury management functions, a number of prudential indicators were determined against which performance could be measured. The revised indicators for 2023/24 were presented in the report alongside the actual outturn position. **Resolved**: That the Committee noted and endorsed the outturn position report.
5/24	**Financial Monitoring - Provisional Outturn 2023/24**
	The Director of Corporate Services advised that this report presented the financial outturn position for 2023/24, and the impact of this on usable reserves. The revenue outturn position showed an overspend of £0.382m which is broadly in line with previous forecasts. The Capital outturn expenditure for the year was £6.034m. **Revenue Provisional Outturn**

The annual budget for the year was set at £68.183m. The provisional outturn position shows net expenditure of £68.565m, giving a total overspend for the financial year of £0.382m, which is broadly in line with previous forecasts presented to the Resources Committee. The detailed provisional revenue outturn was considered by members as set out in appendix A with more significant variances of note shown separately in the table below: -

Area	Overspend/ (Underspend) £m	Reason
Fleet	0.133	The overspend was mainly due to the increased cost of repairs and inflationary pressures on the supply of parts for vehicle and equipment repairs. It was hoped that repair costs would reduce in 2024/25 as older stock had been replaced.
Property	(0.150)	The underspend was due to lower utility costs than budgeted during the winter period.
Apprenticeship Levy Funding	0.248	As previously reported the Apprenticeship Levy income for the year was lower than budgeted due to a reduction in the number of recruits meeting the eligibility criteria for funding. This was included in the 2024/25 budget.
Training Centre – non pay	0.154	As previously reported, due to vacancies in the Training Centre, the department had to appoint more associate trainers than budgeted to meet the training needs of the service; this included driver training and specialist training such as swift water rescue as a result of the Emergency Cover Review (ECR). This pressure was offset by vacancies.

In March 2024 a grant of £0.245m was received from the Home Office to fund research activity managed by the National Fire Chiefs Council (NFCC). This would be grant funded to the NFCC in 2024/25.

General Reserve

The General Reserve exists to cover unforeseen risks and expenditure that may be incurred outside of planned budgets. In February the Authority approved the minimum level of General Reserve as advised by the Treasurer at £3.75m. Following the provisional outturn the level of the General Reserve at 1 April 2024 was £4.918m, this was above the minimum level of General Reserve set by the Authority.

	Earmarked Reserves Earmarked reserves are all funds that have been identified for a specific purpose. Members considered the proposed transfers to earmarked reserves of £0.532m as set out in appendix B of the report. The balance of all the earmarked reserves was £28.813m as at the 31 March 2024; this includes the Capital Reserve of £20.344m and Private Finance Initiative (PFI) reserves of £4.918m. **Capital Budget Provisional Outturn** The revised Capital Budget for 2023/24 was £7.769m. Total capital expenditure for the year was £6.034m, with slippage of £1.772 proposed to be transferred to the 2024/25 Capital Budget. Members considered the provisional outturn for the main programmes and projects set out in appendix C of the report. The original approved capital programme for 2024/25 was £10.196m. This was updated for £1.772 of slippage outlined previously giving a revised Capital Budget for 2024/25 of £11.969m. The revised 2024/25 Capital Budget and funding was set out in appendix D. **Resolved**: That the Committee: - i) Noted the Revenue Budget provisional revenue outturn. ii) Noted and endorsed the receipt and proposed use of grant funding set. iii) Noted the Capital Budget provisional outturn. iv) Noted and endorsed the revised Capital Budget for 2024/25. v) Noted and endorsed the transfer to earmarked reserves and year end reserve levels.
6/24	**Financial Monitoring 2024/25**
	The Director of Corporate Services advised that this report set out the current budget position in respect of the 2024/25 revenue and capital budgets. The year-to-date position was broadly balanced with no significant variances forecast for the year at the time of reporting. **Revenue Budget** Lancashire Fire and Rescue Service's 2024/5 revenue budget was set at £74.149m. The budget profiled to the end of May 2024 was £16.144m and expenditure for the same period was £15.999m, resulting in a year-to-date underspend of £0.145m. The overall underspend position was further broken down between pay and non-pay budgets; there was an underspend of £0.211 on pay and a £0.066m overspend on non-pay activities. While two months was a short period to determine any underlying trends it did serve as a guide for further work to identify potential changes that might impact the outturn position for the year. The main variance relates to pay as set out in the table below. The year-to-date positions within all departmental budgets were set out in Appendix 1.

Area £'m	Overspend/ (Under spend) to 31 May 23	Reason
Overall Pay	(0.210)	The Pay budget was showing small underspends across a number of areas, but particularly on Grey book staff. This was mainly due to underspending on service delivery (0.105), primarily on the On Call Fire Fighters budget. This spend was driven by activity and recruit numbers. Recruits are expected to rise in year, with On Call recruitment vacancies advertised during June. Other pay underspending was observed on the Protection and Prevention budget (0.075), which was undergoing a staffing reorganisation, with recruitments planned. Other small staffing vacancies were reported across the organisation and were not expected to be long term.

Future Pressures
The outcome of the 2024/25 Grey book pay award negotiations resulted in a 4% increase to all basic pay and CPD payments with effect from 1 July 2024. A 3% increase was budgeted. The anticipated pressure for the year was c. £0.300m. Green book pay award negotiations were ongoing and were budgeted at 3%.

Additionally, the employer's contribution rate to the 2015 Firefighters' pension scheme as determined by the scheme actuary was increased from 28.8% to 37.6%. Additional grant funding was assumed to offset this pressure.

Capital Budget
The original Capital Programme for 2024/25 is £10.196m. Slippage from 2023/24 of £1.773m was added to the original budget to give a revised budget of £11.969m. To date £0.206m was spent, predominantly on wide area network replacements as set out in Appendix 2. This appendix set out the revised capital programme and committed expenditure position against this.

A broad overview of the programme is set out below: -

Area	Budgeted Items
Operational Vehicles Budget £2.943m	The budget included initial costs of two water towers, two climate change vehicles and an aerial appliance from previous programmes. It also included three pumping appliances for the 2024/25 programme.

	Other vehicles Budget £0.948m	This budget allowed for the replacement of various operational support vehicles including several cars, vans and a beavertail lorry.
	Operational Equipment Budget £1.846m	This budget allowed for operational equipment purchases including CCTV cameras for appliances and cutting and extrication equipment.
	Building Modifications Budget £3.639m	This budget included the continued programme of Drill Tower Replacements and budget for the initial works to support the upgrade to Preston station.
	IT systems Budget £2.593m	This budget included various projects including upgraded Firewalls, network upgrades and replacement of pooled PPE and stock management systems.

Resolved: That the Committee noted and endorsed the year-to-date position in respect of the 2024/25 revenue and capital budgets.

7/24 **Productivity and efficiency statement 2024/25**

The Director of Corporate Services presented the productivity and efficiency statement 2024/25 to members. As part of the Spending Review 2021, the National Fire Chiefs Council (NFCC) and the Local Government Association (LGA) agreed that between 2022/23-2024/25, fire and rescue services in England would increase wholetime firefighter productivity by 3% and create 2% of non-pay efficiency savings. Linked to these targets, the Minister of State for Crime, Policing and Fire asked that all standalone Fire and Rescue Authorities (FRAs) draft and publish Productivity and Efficiency Plans. A plan was produced for 2023/24, the information provided a strong evidence base for the next Spending Review and demonstrated positive leadership from the sector to engage with the productivity and efficiency agenda.

For 2024/25, the Minister had again requested that all FRAs, publish a Productivity and Efficiency Plan for 2024/25 to help the Home Office, NFCC and LGA to build a more comprehensive picture on the sector's progress against the agreed targets and savings achieved.

Guidance was provided by the Home Office setting out the information that must be contained in the statements; providing primary information about the Authority, detailed of efficiencies and productivity measures achieved to date and planned. The guidance provided three examples from FRAs of well written plans from 2023/24 of which Lancashire was one of the good practice examples.

The 2024/25 plan follows the same format as the previous year. It showed that compared to the Government Spending Review non-pay efficiency savings target

	for fire authorities of 2%, the LCFA achieved 5.6% on average over the period. Productivity improvements in aspects of Prevention and Protection activity have also been achieved; from 22,375 combined Home Fire Safety Checks and Business Fire Safety Checks in 2022/23, to 24,393 in 2023/24. The plan as set out in appendix A sets out many other efficiency and productivity activities and is accessible on the LFRS website. In response to member questions regarding the report, the Deputy Chief Fire Officer advised that improved efficiency and digitalisation of fire engines would maximise firefighters time spent in the community. The Assistant Chief Fire Officer added that increased efficiency would increase productivity and digitalisation would increase capacity for firefighters. **Resolved**: That the Committee noted and endorsed the productivity and efficiency plan.
8/24	**Date and Time of Next Meeting**
	The next meeting of the Committee would be held on Wednesday **25 September 2024** at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood. Further meeting dates were noted for 27 November 2024.
9/24	**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.
10/24	**Update from Capital Building Projects Working Group**
	(Paragraph 3) Members were provided with an update from the Capital Building Projects Working Group. **Resolved:** That the report be noted.
11/24	**Pensions Update (Standing Item)**
	(Paragraphs 4 and 5) Members considered a report that provided an update on the various issues which had arisen in respect of the changes to the pension schemes applying to the uniformed members of the Fire Sector.

	Resolved: That the report be noted.
12/24	**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.
13/24	**IDRP - Stage 2 - Application A**
	(Paragraphs 1, 4 and 5) Members considered a report regarding an IDRP Stage 2 application under the Internal Disputes Resolution Procedure. The report outlined the facts of the case. **Resolved:** That the Committee declined the application presented.
14/24	**IDRP - Stage 2 - Application B**
	(Paragraphs 1, 4 and 5) Members considered a report regarding an IDRP Stage 2 application under the Internal Disputes Resolution Procedure. The report outlined the facts of the case. **Resolved:** That the Committee declined the application presented.
15/24	**Urgent Business (Part 2)**
	Only officers relevant to this discussion were present for this item. **Political Balance** (Paragraph 1) Members received a verbal update from the Clerk to the Authority on the political balance of committees which will be discussed further with party leaders and if necessary, depending on cross party views, would be raised for consideration by the full Fire Authority. **Resolved:** That the report be noted and endorsed. **Executive Board succession arrangements** (Paragraph 1) Members received an update from the Clerk to the Authority on the succession arrangements for the Director of People and Development, with a recommendation

	on the arrangements, pursuant to The Authority's Constitution and relevant Terms of Reference. **Resolved:** That the report be noted and endorsed.

M Nolan
Clerk to CFA

LFRS HQ
Fulwood