

MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

26 JULY 2018

MINUTES

Present: Councillors Joe De'Asha, Sharon Sullivan, Andrew Makinson, Steff O'Keeffe, Jean Stapleton, Peter Brennan and Les Byrom

Also Present:

Apologies of absence were received from:
Sharon Connor, James Roberts and Chris Meaden

7. Chair's Announcement

Prior to the start of the meeting, information regarding general housekeeping was provided by the Chair to all in attendance.

The Chair confirmed to all present that the proceedings of the meeting would be filmed and requested that any members of the public present who objected to being filmed, make themselves known.

No members of the public voiced any objection therefore the meeting was declared open and recording commenced.

1. Preliminary Matters

Members considered the identification of declarations of interest, any urgent additional items, and any business that may require the exclusion of the press and public.

Resolved that:

- a) no declarations of interest were made by individual Members in relation to any item of business on the Agenda
- b) no additional items of business to be considered as matters of urgency were determined by the Chair; and
- c) no items of business required the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information.

2. Minutes of the Previous Meeting

The Minutes of the previous meeting of the Policy and Resources Committee, held on 22nd March 2018, were approved as a correct record and signed accordingly by the Chair.

3. Grant Thornton - Audit Findings 2017/18

Members considered report Audit Findings 2017/18 from the Authority's External Auditor – Grant Thornton.

The Treasurer thanked Grant Thornton for the report and informed Members that it was a positive report and that as of today, it is complete and well ahead of next week's deadline.

Mike Thomas from Grant Thornton then gave Members an update of the report. It was indicated that this qualified opinion of MFRA's Financial Statements, Value for Money Arrangements and Statutory Duties were all satisfactory and there was nothing to bring to the Members attention. All comments and feedback from Grant Thornton on the Audit Findings were positive.

Members complimented the report and it was asked how MFRA are using our reserves. The response from Grant Thornton was that MFRA have an acceptable level of reserves and that reserves are good to have for rainy days. Grant Thornton said the Treasurer for MFRA checks that it is an acceptable amount for 3-5 years, but that over time you can't rely on reserves, over time it has to be sustainable. Members were advised that it is not sensible to use ear marked reserves to pay staff wages.

Members asked why no fair value has been disclosed for the PFI liability and what this would look like over time. Members were advised that on assessment it is a risk the Authority is managing and in future Statement of Accounts the fair value will be reflected.

Grant Thornton confirmed that the 17-18 Audit was now complete.

Members resolved that:

The audit findings 2017/18 from the Authority's External Auditor – Grant Thornton, be noted.

4. STATEMENT OF ACCOUNTS 2017/18 - AUTHORISATION FOR ISSUE

Members considered report CFO/049/18 of the Treasurer, presenting to members the audited 2017/18 Statement of Accounts for approval and request that they be authorised for issue.

Members were informed that there have been significant changes from 2016/17 to 2018/19. There has been an unusable reserves reduction of £8.994m and that this has been created to allow the technical aspects of accounting required by the Code to be reflected in the Statement of Accounts. It does not form part of the costs.

A question was raised about the increase in Employee Benefits Expenses and it was said that we would check the reason and will answer this in writing.

Members wanted clarification about the reserves at the end of 2017/18 as it looks like a lot of money and because the Government think we hold all the reserves. It was explained that the increase is split between firefighter pensions and that this is not a real fee it is a notional entry.

Appendix B “letter of representation”, was signed accordingly by the Treasurer and the Chair.

Members resolved that:

the audited Statement of Accounts 2017/18; the Statement of Accounts 2017/18 to be authorised for issue; and the letter of representation in relation to the 2017/18 accounts, be approved.

5. REVENUE & CAPITAL OUTTURN 2017/18

Members considered report CFO/048/18 of the Treasurer, reporting upon the Authority’s year-end financial position for 2017/18.

Members were given a brief overview of the report describing how the Authority has underspent on its revenue services budget by £2.4million. The remaining net underspend of £1.961m is approximately a 3% variance on the budget and reflects the continuing drive to maximise savings in the year in light of the financial challenge ahead.

The Authority receives grants and external funding during the year to deliver specific projects. Because these sometimes span more than one financial year this necessitates the carrying forward of the funding through creation of earmarked reserves. Any potential liabilities arising in the year or previous years for which the Authority is required to set aside a contingency will also require the creation of a reserve. At the end of 2017/18 £0.442m of earmarked reserves were established to cover timing issues between funds and spend for projects and grant funded schemes.

It is proposed that the Authority use the £1.961m underspend (£2.403m saving less the £0.442m used for new earmarked year-end reserves) to;

- Increase the capital investment reserve by £1.017m to fund the expected increase in costs associated with the new St Helens community fire station, and
- Increase the inflation reserve by £0.200m in light of the risk around the 2017/18 to 2019/20 annual firefighter pay increase. The budget assumes a 2% increase but this offer for 2017/18 has been rejected by the FBU. Each additional 1% would require £0.400m of permanent savings to be identified. By increasing the inflation reserve it is hoped that this will provide the one-off funds for any backdated increase above the 2% assumed, and
- Increase the recruit reserve by £0.744m to enable new firefighter recruits to be taken on in advance of firefighter retirements over the next 5 to 8 years – removing any reliance on staff undertaking voluntary additional shifts.

The Authority's final capital budget for 2017/18 was £17.857m. Actual spend in the year was £10.160m resulting in a variance of £7.697m.

Members were informed that we should avoid borrowing money, as there is money set aside for various requirements. With regards to the recruits reserve, if we wait for firefighters to retire we would not have the staff, so there is £3m to resource that.

Members stated that a good job is being done by our finance team and that we are doing right by keeping our capital for what it is meant. The revenue used for recruits is good as it will increase our establishment and more money for firefighters means more bodies to keep people safe. That we have no free capital. Staff were thanked for their hard work and it was added that in the next 5 years we will lose up to 50% of firefighters due to retirement. It was added that we had another recruit course last year and a reminder that it takes time for new firefighters to gain skills over time. The recruits that have been on the last couple of courses are enthusiastic and dedicated. Members are happy for the future of MFRS. Although firefighter numbers are increasing now, they will come down, so the recruits reserve is very worthwhile.

Members resolved that:

- a. the actual financial performance against the approved budget and the achievement of a net revenue saving in 2017/18 of £2.403m, be noted; and
- b. the proposal to utilise the £2.403m saving to;
 - fund the creation of £0.442m year-end earmarked reserves in order to finance approved 2017/18 spend that has been re-phased into 2018/19, be approved and
 - use the remaining balance to fund an increase of;
 1. £1.017m in the Capital Investment Reserve in order to increase the contribution towards the new St Helens Fire Station in light of the expected increase in construction costs, and
 2. £0.200m in the Inflation Reserve in light of the level of uncertainty over the 2% annual increase assumed in the current financial plan for the outstanding 2017/18 to 2019/20 firefighter annual pay award, and
 3. £0.744m in the Firefighter Recruitment Reserve to fund the recruitment of firefighters above the budgeted establishment to ensure new recruits have time to develop the required level of competency and experience given half of the current firefighters will retire over the next 5 years or so and the reliance on staff undertaking voluntary additional shifts is removed;be approved.

Executive Summary

The Authority approved a robust financial plan to meet the financial challenge it faced following the significant reductions to its Government grant funding from 2016/17 to 2019/20.

The approved revenue budget in 2017/18 was £59.490m. Having recognised the financial challenges facing the public sector, Members instructed Officers to try to maximise savings in the year and deliver efficiencies as early as possible.

The final accounts of the Authority have now been completed and a £2.403m saving has been delivered.

This report proposes that this revenue saving be allocated to fund specific year-end reserves of;

- £0.442m to cover initiatives or projects planned for 2017/18 which are now expected to occur in 2018/19,
- £1.017m to increase the Capital Investment Reserve to cover anticipated increase building costs for the new St Helens Fire Station,
- £0.200m to increase the Inflation Reserve to reflect the current level of risk around the 2017/18 to 2019/20 firefighter annual pay awards, and
- £0.744m to increase the Firefighter Recruits Reserve.

The Authority has an approved strategy of building up reserves in order to provide a short-term buffer while it re-engineers the service and to avoid compulsory redundancies if possible.

The General Fund balance remains as anticipated at £2.000m.

Capital spending was £10.160m resulting in a variance of £7.697m against the £17.857m budget for 2017/18. The variance can be broken down into:

- A £7.572m re-phasing of planned spend from 2017/18 into future years, requiring the carry forward of capital budget. £4.149m of the rephrasing relates to re-phased building works of which £1.005m is for the new Saughall Massie Fire Station scheme.
- A net underspend and saving on capital projects of £0.125m.

6. AWARDING OF THE REGIONAL CONTRACT FOR STRUCTURAL FIREFIGHTING KIT

Members considered report number CFO/051/18 of the Deputy Chief Fire Officer, concerning the completion of the North West tender process for the replacement of the NW Fire Structural Fire kit framework agreement, and request approval to award contract to the preferred bidder.

Members were reminded of the recommendations outlined in the Authority Budget Meeting report dated 22nd February 2018 informing them that the procurement team has recently led a North West (NW) tender process for structural fire kit.

Members were advised that operational staff are to be issued with 2 sets of structural firefighting kit in the coming months, meaning they will have 1 to wear and one spare instead of just 1 of their own and sharing kit. This will relieve ill-fitting kit and sizing issues with relation to gender.

Members were informed that it is not always best for operational staff to wear full firefighting kit when attending certain incidents (for example wildfires or road traffic collisions) and a technical rescue jacket is more suited.

Therefore Members were advised that current operational staff kit is to be replaced with 2 fire kits and a technical rescue jacket and as the contract value is over £250,000 it has been brought to Members for their approval.

Members expressed that this was a good use of capital expenditure and that operational staff had brought the issue of wearing ill-fitting kit to Members attention at previous Authority Station Visits.

Members resolved that:

the outcome of the tender process and agree the award of contract to the successful supplier, be noted.

Close

Date of next meeting Thursday, 13 December 2018

Signed: _____

Date: _____