

**Minutes of the Meeting of
Shropshire and Wrekin Fire and Rescue Authority
Strategy and Resources Committee
held in the Oak Room at Headquarters, Shrewsbury
on Thursday, 1 February 2018 at 2.00 pm**

Present

Members

Councillors Carter, Hartin (Vice-Chair), Murray, Pardy, Phillips, Roberts (Chair), and Wynn

Officers

Rod Hammerton	Chief Fire Officer	CFO
Andy Johnson	Deputy Chief Fire Officer	DCFO
Dave Myers	Assistant Chief Fire Officer	ACFO
James Walton	Treasurer to Fire Authority	Treasurer
Joanne Coadey	Head of Finance	HoF
Germaine Worker	Head of HR and Administration	HoHRA
Andrew Kelcey	Head of Resources	HoR
Sally Edwards	Head of ICT	HoICT
Lynn Ince	Executive Support Officer	ESO
Natalie Barker	Executive Support Team Supervisor (observer)	ESTS

1 Apologies for Absence

None

2 Disclosable Pecuniary Interests

None

3 Public Questions

None

4 Non-Exempt Minutes

Resolved that the non-exempt minutes of the Strategy and Resources Committee meeting, held on 9 November 2017, be agreed and signed by the Chair as a correct record

5 Financial Performance to December 2017

This report provided information on the financial performance of the Service, and sought approval for action, where necessary.

The HoF presented the report and talked through variances in the revenue budget as set out on page 2 of the report which included the following points

- The overspend on Overtime is a correction following a previous adjustment rather than an actual overspend. The correction has been necessary because of timing issues which are due to accrual of shifts across the year.
- The overspend on laundry and repairs as shown on page 3 of the report has shown that the laundry budget needs to be increased. This increase has been requested for the 2018/19 budget.
- The ICT Salaries underspend is due to a controlled slowdown of the development work and agency staff not being utilised to the same degree as previously.
- The overspend on the Pensions Administration SLA is due to adhoc requests for reports etc that are not covered by the original SLA and so require additional funds. Much of this is due to the complexity of the pensions landscape with the service now needing to administer four grey book pensions.
- The smaller variances detailed on page 4 of the report have been dealt with through delegated powers but have been brought to the Committee for information.

The HoF also advised that the final paragraph of section 5 should refer to the end of December, rather than September as stated in the report. With regard to repayment of borrowing, the HoF reported that Treasury Services have advised that repaying the current borrowing of £5.69m, would require a total repayment of £8.2m.

Members asked for further information regarding the overspend on laundry and the reference to aging fire kit. The HoR explained the increased repairs to kit are to be expected as the kit, which was replaced in 2014, ages. The budget for laundry and repairs was reduced for the first couple of years following the replacement. The repairs mainly relate to things such as the Hi-vis tape that is on the kit and not to structural failures or anything that affects performance in the field. The HoR explained that the Service expects the kit to last for another 5 years, at which point the Service anticipates joining a new national procurement framework for replacement fire kit. The CFO added that the increased laundry costs are due to firefighters having a greater understanding of the dangers of contaminated fire kit and better identification of more serious contaminants such as asbestos.

Members also queried if the four major breakdowns referred to in the report were related. The HoR advised that they were all unrelated. One was the gearbox / clutch on the Bridgnorth water carrier; one was rust repairs on the chassis of the reserve Rescue Tender; and one was an engine failure on a Market Drayton appliance. The final one was a gearbox failure on the Outreach vehicle which is not an operational vehicle.

In response to a query about the temporary savings on Equality and Diversity staffing, the HHRA explained that this is due to sickness and maternity leave factors so it was difficult to estimate how long this would carry on for.

Resolved that the Committee recommend that the Fire Authority:

- a) Note the position of the revenue budget;
- b) Approve virements to the revenue budget, where requested; and
- c) Note performance against prudential indicators to date in 2017/18.

6 Revisions to the 2018/19 Revenue Budget

This report presented a final revenue budget package for 2018/19 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

The HoF presented this item and drew Members' attention to page 2 of the report which showed the budget position based on a precept increase of 1.99% to cover pay and inflation increases. The HoF informed Members of the provisional grant settlement which was published on 19 December 2017. The main point of the settlement was that local authorities were now able to increase precept by up to 3% before a referendum is triggered.

The HoF also highlighted that the council tax base had been confirmed as set out in report. With regard to the Collection Funds, the HoF advised that there is a total surplus of 304k on the council tax collection funds; notification of a deficit of £60k on the business rates collection fund for Shropshire, and the balance on the Telford & Wrekin fund is awaited. Planning assumptions will be updated when this information is received.

Following the changes to the referendum spending limit, the HoF drew Members' attention to the graphs on page 4 of the report, which exemplified precept increases of 1.99% and 2.99%. Members were reminded that the budget would be balanced with a precept increase of 1.99%; however there were a number of areas where changes in assumptions and additional expenditure would require additional funds.

Members commented that the Authority has always taken a prudent view on its budget and precept setting, which has proved beneficial as the Authority now has a healthy budget provision. However, there was also concern about a likely increase in wages, as well as the possibility that inflation having already reduced, may reduce further and Ministers had signaled this might have an effect on reducing the "referendum spending limit" in future years.

Members felt that these factors should be considered when setting the budget and the precept.

Members asked for an estimate of the depletion figure for the capital reserve. The HoF explained that the estimated costs for the Telford Central Project are £11m requiring £4-5m in borrowing. This would deplete the Capital Reserve from £13m to £4m.

A view was expressed that the Fire Authority is not currently in normal circumstances and should perhaps be demonstrating its ambition. One way to do this, would be to send out a clear message that the Authority can manage with a precept of 2%.

Members asked if the Collection Fund figure from Telford & Wrekin Council tended to be a minus or plus figure. The HoF responded that historically the Authority had received both deficits and surpluses from Telford & Wrekin but it is not anticipated that the figure will have a major impact on the budget. It should also be remembered that these collection fund variations are "one-off" figures that cannot be accurately forecast and as such cannot be relied upon. Therefore, it was not sensible to rely on them when building a budget.

The CFO commented that it was unusual for Officers to not provide Members with a specific recommendation regarding the level of precept but the overall message was that while there would be no immediate impact from relying on a 2% increase there was a level of uncertainty going forward that could be hedged against by moving towards the 2.99% figure currently set as the "referendum threshold". Most notable of the potential pressures would be the interest charges against an increased borrowing profile from Telford and other capital schemes and future increases in the pay budgets. It was recognised that a precept of 2.99% more closely reflects current inflation levels and it was foreseeable that the referendum threshold might come down in line with inflation for future years.

Members then sought the opinion of the Finance Officers as to whether it would be sensible to opt for a 2.5% precept increase instead as a compromise. The Treasurer advised that there would need to be a clear rationale behind opting for another figure and he was not sure that there was a justifiable reason for a 2.5% increase.

Members were minded that if there was an opportunity to close the future funding gap, then this should be taken. A counterview was also expressed, which was that as the inflationary risks, which were considered when the 2% precept increase was provisionally agreed, had eased slightly since December, then the 2% increase should be retained. The CFO acknowledged this but reminded members that the 2% increase had been agreed at a point when this was the maximum precept increase available and they now had an opportunity to consider taking advantage of greater flexibility in order to protect the level of service in future years.

It was proposed by Councillor Hartin that the precept increase be set at 2.99%. This was seconded by Councillor Carter and with 6 Members voting in for, and 1 Member voting against, it was

Resolved that the Committee recommend that the Fire Authority approve

- a) A precept increase of 2.99% for 2018/19; and
- b) A revenue budget in line with the precept increase approved above.

7 Capital Programmes 2018/19 to 2022/23 and Prudential Guidelines

This report presented the capital programmes for 2017/18 to 2021/22, for consideration by the Committee in the context of Prudential Guidelines.

The HoF presented this report and talked through the major issues set out in the report. The HoF also informed Members that a half-day training session on Treasury Management is being arranged by Shropshire Council, which Members of the Committee will be invited to attend.

The HoF explained that the Authority will need to start borrowing after 2019/20 to cover the Telford Central Project and other schemes. Borrowing will be undertaken with the Public Works Loan Board (PWLb) and advice will be sought from Treasury Services with regard to the best time to undertake the borrowing. The risk of using one counterparty for borrowing may outweigh a modest increase in income that could be achieved.

Referring to the statement on page 8 of the report that investments will be sterling denominated, Members asked if there was any provision for the Authority to hold foreign currency investments. The Treasurer explained that investments can be held in other currencies as there is provision within Shropshire Council's policies for this to be done. The main issue with foreign currency investments is the risk of the investment. Treasury Services have no internal expertise in this area and would have to take external advice. The cost of doing this could outweigh any potential return.

The CFO further commented that this was an interesting question especially with regard to the purchases of appliances etc, and one that the Service should consider with regard to hedging against currency exchange rate changes during procurement processes.

The Treasurer suggested that this might be an area that could be covered in the Treasury Management training session. The Committee agreed to pass any other potential areas to be covered in the training to the ESO.

Resolved that the Committee recommend that the Fire Authority

- a) The decision relating to the 2018/19 onward programmes was deferred until item 14 on the agenda, as these were set out in the Appendix to the report, which was an exempt paper;

- b) Approve the Prudential Indicators and the Treasury Strategy for 2018/19;
- c) Approve the Minimum Revenue Provision 2018/19; and
- d) Approve the Treasury Management Practices and Main Principles for 2018/19.

8 Adequacy of Reserves and Robustness of Budget

This report undertook a full analysis of reserves, provided an assurance on the adequacy of reserves, and gave an assurance on the robustness of the budget.

The HoF presented this report and advised that the Authority's reserves had increased due to the Telford Central Project. The reasons for the increase are justified but officers feel that there is validity in holding a review of the reserve levels, together with an assessment of spend on those reserves, as there may be scope to reduce and divert some reserves to the Telford Central Project.

Officers suggest that this review be undertaken at the closedown of the current financial year which would enable the Authority to take advantage of auditor input.

The Committee felt that any surpluses in the reserves needed to be identified and allocated appropriately, especially as there are some people who are of the opinion that authorities hold reserves unnecessarily. Members also requested an update report on the Telford Central Project which would cover reserves and potential future borrowing in order to aid the justification of the reserves held. The CFO commented that he believed that Members were right to request this in order to aid their level of understanding regarding the reserves. The CFO reported that the Fire Minister had announced yesterday that his officers would be visiting all fire authorities to investigate the levels of reserves being held. Whilst the Authority's reserves strategy has been audited, there has been changes since this was done and it would be timely to carry out a review as proposed.

Councillor Hartin proposed the recommendations as set out in the report with the addition of recommendation iii) as follows:

- iii) that a risk based review of reserves be undertaken

This was seconded by Councillor Carter, and it was

Resolved unanimously that the Committee recommend to the Fire Authority

- i) The reserves, as set out in the appendix to the report;
- ii) The Treasurer's assurances, covering the robustness of the 2018/19 budget and adequacy of its reserves; and.
- iii) That a risk based review of reserves be undertaken.

9 Officers Car Capital Purchase and Fleet Environmental Improvements

Councillor Murray left the meeting at this point (3.00 pm)

This report requested Members to consider the establishment of a capital scheme to enable the future purchase and ownership of vehicles to be used by incident commanders responding to incidents. These are currently provided under lease arrangements. The report also requested that Members consider the effects of piloting the introduction non diesel vehicle in to the fleet with the procurement of a limited number of hybrid and electric cars and the related charging infrastructure.

Councillor Murray returned to the meeting at this point (3.03 pm)

The CFO presented this paper and drew Members' attention to the exempt appendix to the report which sets out the comprehensive review that has been undertaken by Hereford & Worcester Fire and Rescue Service (HWFRS). This paper provides a collaboration opportunity which would lead to the standardisation of vehicles across the Shropshire and Hereford & Worcester fire region. The CFO explained that it would be a tapered capital scheme, which would come into effect as current leases come to an end. A comparison of costs has shown that the capital scheme would provide ongoing savings as it became established.

Members commented that there appeared to be a fairly limited scope of vehicles in the exempt report and asked if there was any value in running the exercise again. The HoR explained that the exempt report showed the conclusions of a larger piece of work that considered all vehicles that met service requirements. Officers believe that HWFRS evaluation is a comprehensive analysis of the options and any further work would be duplication of effort and be contrary to demonstrating the power of effective collaboration.

Members commented that they were pleased that the report has come forward as there appears to be more public pressure regarding public service vehicles, which needs to be addressed.

Whilst Members were in agreement with regard to the officers' cars proposal and the provision of electrical charging points, there was some concerns about the introduction of electric and electric-petrol hybrid vehicles due to the image this may give to taxpayers; and to wider environmental concerns about cradle to grave CO2 issues with these vehicles.

Members were also pleased that this issue was being explored as it is an emotive subject with firefighters. Members asked if car provision would be the same for officers and Executives. The CFO explained that the previous differential was a contractual issue with Executive officers having a higher allowance specified in their contracts.

However, on the basis that the obligation on the Service is to provide "response" vehicles and not "officer cars" all three Executive officers had agreed to forego this element of their contract and be provided with vehicles in line with other response officers. Members were satisfied with this answer.

The CFO further explained that the Service has relied on diesel powered vehicles for resilience reasons, but it is anticipated their availability will reduce markedly as technology and tax changes advance. Therefore, the reason to consider piloting electric cars and hybrids is to understand the impact this change in the market will have on the Service as it takes effect. There was a concern raised by members that the case for "electric" was not proven, the costs were high, and it also had resilience and sustainability issues. The CFO recognised the issues explained this was the reason the Service was only considering a restricted pilot.

Members stated that they could see the benefits of moving to this scheme but were concerned about the public perception of which type of vehicles were chosen. The CFO assured members this has been factored into the evaluation which showed that currently Volvo provide best value. It was also felt by officers that this decision fitted with the Service's reputation for putting safety first.

The HoR explained that the Service operates to ISO14001 Environmental Management BSI standards and it was pleasing to see the discussion about environmental impacts being had by Members.

The BSI Standards look at a wide range of issues; a particularly high risk area which needs to be addressed is travel to work. Travel for work is not as high a risk but it is tightly controlled. The drive to electric vehicles is being driven by local air quality issues, which has also influenced the move to petrol cars. There is a need to push the boundaries of electric vehicle use to ensure that the benefits of them can be demonstrated but these needs to be done in the context of wider environmental approach.

Members queried if there was any merit in an assessment of holding stocks of petrol if there are concerns that supplies may be interrupted in future. The CFO explained that this approach was unlikely to be taken by the Service as holding petrol involves a licensing regime which has prohibitive costs.

Members asked how many vehicles would be replaced under the scheme. The HoR explained that there are 26 cars in the operational response fleet which will be replaced.

On a vote with 6 Members voting for, and 1 abstaining, it was

Resolved that the Committee

- a) Having considered the business and financial benefits associated with purchase of future officers cars, agree the establishment of an ongoing capital scheme for provision and replacement;

- b) Have considered the merits of the introduction of electric and petrol-electric hybrid cars into the Service's fleet, recognising the forecast costs; and
- c) Note the proposed installation of charging points, initially at Shrewsbury.

10 National Framework Consultation

This report provided the Strategy and Resources Committee with the opportunity to consider and amend the draft response from the Authority to the National Framework consultation prior to submission for endorsement to the full Fire Authority on 14 February 2018. This would allow the Authority to meet the deadline for the consultation on that day.

Resolved unanimously that the Committee recommend to the Fire Authority the draft response to the National Framework Consultation, as set out in the appendix to the report.

11 Capital Update on Activity and Finance

This report provided an overview of all of the capital schemes within the Brigade and their current status.

Members asked if the lighting on drill towers as referred to in the appendix to the report, required planning permission. The HoR explained that it did not and also advised that an application for planning permission had been submitted for the refurbishment of Much Wenlock station.

Resolved that the Committee note the progress so far on current schemes.

12 Exclusion of Press and Public

Resolved that the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

13 Exempt Minutes (Paragraph 3)

Resolved that the exempt minutes of the Strategy and Resources Committee meeting, held on 9 November 2017, be agreed and signed by the Chair as a correct record

14 Capital Programmes 2018/19 to 2022/23 and Prudential Guidelines (Paragraph 3)

The Committee received the Capital Programme from 2018/19 paper which contained exempt information. This was the Appendix to report 7 – Capital Programmes 2018/19 to 2022/23 and Prudential Guidelines

Resolved that the Committee confirm the 2018/19 onward programmes, and the associated revenue costs, as part of its final precept deliberations.

15 Officers Car Capital Purchase and Fleet Environmental Improvements (Paragraph 3)

The Committee received the appendix to report 9 – Officers Car Capital Purchase and Fleet Environmental Improvements, which contained exempt information.

Resolved that the Committee note the exempt appendix to report 9.

16 Capital Update on Activity and Finance (Paragraph 3)

The Committee received the second part of the appendix to report 11 – Capital Update on Activity and Finance, which contained exempt information.

Resolved that the Committee note exempt Appendix B to report 9.

The meeting closed at 3.50 pm.

Chair.....

Date.....