



Fire and Rescue Service  
Headquarters, Pirehill  
Please ask for Kay Johnson  
DDI (01785) 898670

## STRATEGY AND RESOURCES COMMITTEE

Tuesday 23 January 2018

**2.15 pm**

Room 1

Fire and Rescue Service Headquarters

Pirehill

(A Chairman/Vice-Chairman's Preview has been arranged, for Mr S J Sweeney and Mr D A Jellyman only, for 1.45 pm)

H. NORRIS  
Secretary to the Authority  
12 January 2018

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### AGENDA

1. Apologies
2. **Declaration of Interests**
3. **Minutes of the Strategy and Resources Committee held on 21 November 2017**
4. (a) **Minutes of the Human Resources and Ethics Committee held on 30 November 2017**  
  
(b) **Minutes of the Scrutiny and Performance Committee held on 6 December 2017**

5. **Revenue Budget 2018/19**

Joint Report of the Chief Fire Officer/Chief Executive and the Director of Finance, Assets and Resources

6. **Exclusion of the Public**

The Chairman to move:-

“That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the

paragraphs of Part I of Schedule 12A of the Local Government Act 1972 indicated below”.

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## **PART TWO**

7. **Exempt Minutes of the Strategy and Resources Committee held on 21 November 2017**  
(Exemption paragraphs 2 and 3)
8. **Exempt Minutes of the Scrutiny and Performance Committee held on 6 December 2017**  
(Exemption paragraph 3)
9. **Firefighters Pension Administration – Taxable treatment of Ill-Health pension**  
(Exemption paragraph 1)  
  
Report of Mr D Greensmith, Director of Finance, Assets and Resources
10. **Firefighters Pensions Administration and Pensions Payroll Update**  
(Exemption paragraph 3)  
  
Report of Mr D Greensmith, Director of Finance, Assets and Resources

**MINUTES OF THE STRATEGY AND RESOURCES COMMITTEE  
HELD ON 21 NOVEMBER 2017**

**Present:** Sweeney, S J M (Chairman)

Banks, Mrs K M	England, Mrs J M
Beech, Mrs A E	Jones, J S
Bowers, Miss S A	Price, J K
Clarke, R J	Snape, P A
Clements, Mrs T A	Winnington, M J

**Apologies:** Deaville, M A and Jellyman, D M.

**Also in attendance:** Mr R Barber, Deputy Chief Fire Officer/Deputy Chief Executive, Mr D Greensmith, Director of Finance, Assets and Resources, Mr H Norris, Secretary to the Authority and Mrs Jill Hollinshead, Strategic Risk Manager.

**PART ONE**

Documents referred to in these minutes as schedules are not appended but will be attached to the signed copy of the minutes. Copies, or specific information in them, may be available on request.

**Minutes of the Meeting held on 28 September 2017**

40. **RESOLVED** – That the Minutes of the Strategy and Resources Committee held on 28 September 2017 be confirmed and signed by the Chairman.

**Minutes of the Service Improvement and Equality Committee held 16 October 2017**  
(Schedule 1)

41. A Member referred to the sad death of Robbie Marshall, a former Fire Authority Member. Mr Sweeney advised that it was appropriate to have a minutes silence at the full Fire Authority meeting on 18 December 2017 as a mark of respect.

42. **RESOLVED** – That the Minutes Service Improvement and Equality Committee held on 16 October 2017 be received.

**Minutes of the Scrutiny and Performance Committee held on 17 October 2017**  
(Schedule 2)

43. **RESOLVED** – That the Minutes of the Scrutiny and Performance Committee held on 17 October 2017, as presented by Mrs K M Banks Chairman of that Committee, be received.

**Treasury Management Report for the Half Year Ended 30 September 2017**  
(Schedule 3)

44. The report, presented by Mr Greensmith, reviewed the Treasury Management activities for the half-year ended 30 September 2017, including the Prudential Indicators for Treasury Management and the Stoke-on-Trent and Staffordshire Fire Authority's ("the Authority") approved Lending List (the List). The report was required as a result of the adoption of the CIPFA Code of Practice for Treasury Management in the Public Services (the Code).

During the first 6 months of the year the Authority continued to invest cautiously. No long-term loans were taken out although the Authority did repay a £0.5m Public Works Loan Board (PWLB) loan in August 2017. This was good news and officers continued to try and reduce these outstanding loans year on year. The total amount of loans outstanding as at 30 September 2017 was £19.550m.

The report outlined the performance of the economy, the longer term borrowing position, the annual investment strategy/approved lending list, short term money market transactions, second Markets in Financial Instruments Directive (MiFID II), Money Markets Funds (MMF) reform, bank ring fencing, Treasury Management and Prudential Code Consultation, the Service Level Agreement with the County Council and the compliance with the CIPFA Code of Practice.

With regard to the average return on investments, this was in line with the Strategy and the percentage gap should close during the second half of the year to be in line with the percentage return achieved last year.

Mr Greensmith advised that following the introduction of the MiFID II regulations from 3 January 2018 local authorities would automatically be treated as retail clients who could “opt up” to be professional clients provided that they met certain criteria as set out in the report. He advised that if the Authority did not “opt up” to professional status then they would not be able to invest in line with the approved Strategy. In electing to “opt up” to professional client status, the Authority would effectively forego the protections afforded to retail clients (the details of which were set out in Appendix 3 of the report). Members noted that these protections were not currently enjoyed by the Authority anyway and the associated risks were mitigated through a range of different controls.

With regard to a question on approved investments and the investment of £3m with Birmingham City Council Mr Greensmith advised that the investment was in line with the Strategy with Birmingham City Council being a local authority.

45. **RESOLVED** – (a) That the Treasury Management activities for the half-year ended 30 September 2017, including the Prudential Indicators for Treasury Management shown at Appendix 1 to the report be approved.

(b) That the Director of Finance, Assets and Resources (“the Director”) be authorised to apply for elective professional status for the Authority with all relevant financial institutions, under the second Markets in Financial Instruments Directive (MIFID II).

### **Annual Audit Letter (for the year ended 31 March 2017)**

(Schedule 4)

46. Mr Greensmith presented the report. The Annual Audit Letter summarised the key findings arising from the work that was carried out at Stoke-on-Trent and Staffordshire Fire and Rescue Authority by the external auditor for the year ended 31 March 2017. This report provided a commentary on the results of the audit work to the Authority and its external stakeholders, and highlighted any issues that the Auditor would wish to draw to the attention of the Public. A copy of the Annual Audit Letter was attached for Members information, and a copy would also be considered by Members of the Audit Committee during the meeting scheduled for 23 November 2017. In preparing the Letter, Grant Thornton had followed the National Audit Office (NAO’s) Code of Audit Practice and Auditor Guidance Note (AGN) 07-‘Auditor Reporting’. A copy of the letter had also been sent to Public Sector Audit Appointments (PSAA) in line with requirements. The Annual Audit letter followed on from the

detailed findings report that was considered by the Authority's Audit Committee on 26 July 2017, where an unqualified opinion was given by Grant Thornton on that date.

Mr Greensmith drew attention to the fact that the accounts were again signed off two months early. This was the second year that the Authority had achieved this and from next year all local authorities would need to have their accounts signed off by 31 July 2018.

In response to a question as to why the accounts would need to be signed off earlier Mr Greensmith advised that this was to speed up the sign off process in line with the Accounts and Audit Regulations 2015.

Mr Greensmith advised that as in previous years the Auditor had indicated that the papers produced were of good quality. In addition the Auditor had given a positive value for money conclusion on page 9 of the report.

Members discussed the risk identified by the Auditor in relation to the "Valuation of the Pension Fund Net Liability" and asked whether officers were satisfied with this being a risk. Mr Greensmith advised that Staffordshire County Council undertook work in relation the Local Government Pensions Scheme on the Authority's behalf. The position was reviewed triennially and officers took the opinion from the actuarial report. All monitoring was carried out on the Authority's behalf. A Member asked whether triennially reviewing the valuation position was sufficient. Mr Greensmith advised that the Government were pushing to create bigger pools of administration to save on the cost of running the Local Government Pension Scheme. There would be savings in the LGPS in the medium to long term but these savings were not being delivered yet. The review of the valuation of the pension scheme was a big exercise and therefore triennially was appropriate. Officers understood that the contributions and deficit repayments up to 2019/20 were £942,000. Much of the pensions liability was estimated. Mr Greensmith advised that on the balance sheet of most public sector organisations showed a deficit on pensions. A Member gave an example of the Police pensions in West Midlands and understood that whatever was being paid in was going straight out on pensions payments.

A Member raised the issue of Retained Firefighters who had retired on ill health grounds where HMRC had been wrongly taxing the pension since 1985. HMRC had advised that they would only pay back the last four years. The matter had been raised in case any other firefighters were affected. Mr Greensmith advised that he had drafted a report on the matter which would come to the next Strategy and Resources Committee meeting in January. The issue had affected 18 Members of the firefighters pension scheme who had been paying tax. This should not have been taxable as there was a qualifying injury award. HMRC had indicated that anything prior to four years would need to be considered by the Authority. A Member asked whether the Authority were going to challenge this and were advised that HMRC had already been challenged on the matter. A Member commented that there may also be the consideration of interest on the payments.

Mr Barber referred to page 1 of the cover report outlining the Auditors conclusions and asked that the recognition of the excellent work undertaken by Mr Greensmith and his Finance team be recorded in the minutes of the meeting. He drew particular attention to the finding that the audit provided a positive value for money conclusion demonstrating that the Authority continued to provide Economy, Efficiency and Effectiveness. He advised that Mr Greensmith and his Team had this year also worked particularly hard in implementing a new payroll and Integra payment system.

In response to a question Mr Greensmith advised that some Members may have previously seen the information contained in the Annual Audit Letter within the previously published Audit Findings report.

Mr Sweeney advised that he was very pleased with the contents of the Annual Audit Letter which was a very good result. He had every faith in Mr Greensmith and his Finance Team.

47. **RESOLVED** - That Members noted:- (a) That Grant Thornton provided an unqualified opinion on 26 July 2017 (2 months ahead of the deadline), this was enabled by the excellent engagement between Finance and the Audit Team.

(b) The financial statements submitted for audit were, yet again, of good quality delivered by an effective close down process and supported by excellent working papers.

(c) That the audit provided a positive value for money conclusion demonstrating that we continue to provide Economy, Efficiency and Effectiveness (see page 9 of the Annual Audit Letter), and

(d) That the Authority's accounts showed a good financial position going forward, due to the appropriate level of reserves which formed part of the overall financial strategy, and the ability to provide value for money.

### **Quarterly Financial Report 2017/18 (Quarter 2)** (Schedule 5)

48. Mr Greensmith presented the report which advised Members' of the Revenue, Capital Programme and Cash position, as at 30 September 2017. This was the financial position for the Authority as reported within the internal Resource Control Report and represented the cumulative financial position for the second quarter of 2017/18.

The total Revenue Budget for 2017/18 as approved by the Fire Authority on 15 February 2017 was £39.9m and included an annual savings target of £1.0m for 2017/18, to be delivered through a programme of agreed efficiency savings. As part of the Settlement for 2016/17 to 2019/20 the Authority accepted the "four-year" funding offered in return for the publication of a transparent and robust Efficiency Plan.

The total recurring revenue spend as at 30 September 2017 was £20.3m, which was in line with budget and incorporated £0.5m of Efficiency Plan savings as part of the annual budgeted efficiency savings target of £1.0m. Overall both pay and non pay costs were broadly in line with budget after delivery of required savings. Retained pay costs continued to be under detailed review as activity levels had resulted in additional costs following the introduction of the new Retained Payment Scheme earlier in the year.

Mr Barber advised that there had been three large incidents that had impacted upon retained pay. The fire at Slitting Mill, Rugeley, which was still causing issues for the Service and there were also two other large fires at waste sites at Hanbury Plastics, Milton and the GKN Site in Lichfield. Mr Barber advised that Becci Bryant would be meeting with MPs shortly to advise them of the amount of work being undertaken by the Service and partners in relation to waste sites.

Members discussed the fire at Slitting Mill. Mr Barber advised that this was still an issue for the Service as the fire had been capped but was still burning beneath the surface. On occasion the cap collapses and then needed to be renewed. Local residents assumed that these were new fires and the Service then received calls for them to deal with the fire. Unfortunately due to the nature of the fire Mr Barber could not give a time period as to when

the fire would be extinguished. He advised that the cost of the additional retained pay from the incident would be borne by the Service as it was unlikely that the costs would be reimbursed. Once the fire was extinguished it was up to the landowner or local authority to arrange for the site to be cleared. The Service had expressed concerns regarding the securing of the site to ensure the safety of the public. They were working with partners to come to an agreed arrangement.

Mr Barber advised that there had also been another fire on the Hanbury Plastics site since the original incident.

In response to a question in relation to high risk sites Mr Barber advised Members that the Service and partners were part of a Coordination Group which identified and monitored higher risk sites. They were working closely to get high risk sites cleared but they had encountered difficulties with regard to absent landlords.

Members discussed the assumptions contained in the budget with regard to pay awards and were advised that there had been an assumption of a 1% pay award for NJC staff and a 2% assumption for firefighters. Mr Barber advised that the FBU had gone back out to their members to ask them if they would be willing to accept 1% whilst negotiations were ongoing. He advised that the Efficiency Plan was based upon a 1% pay increase year on year and this may need to be revisited as well as looking at other assumptions within the Efficiency Plan. In response to a question Mr Barber advised that there had been discussion nationally about a 3% plus 2% pay increase but this had been rejected by the FBU. A Member asked whether there was the potential for industrial action and was advised that this was a nationally negotiated position but there remained the potential for this. The FBU knew what the impact of a pay increase may have. A Member asked whether this could lead to staffing reductions and was advised that the Authority would need to revisit this once the position was known but this could not be ruled out.

The Capital Programme budget for 2017/18 was approved at £7.1m and in addition, £0.8m had been carried forward from the previous year to allow the completion of the Government funded project at Biddulph. The allocation of the funding for the Safe + Sound Project (£3.7m) had now been included for delivery within the current year but this remained challenging as support from local conservative MPs had not yet been received but regular updates were included on the agenda for the full Fire Authority.

Mr Greensmith advised that Becci Bryant had met with Amanda Milling MP and would be meeting with a number of other MPs on 6 December. There would be a better indication in the new year with regard to the Safe + Sound Project.

Total cash held in investments, as at 30 September 2017 of £18.5, was £1.8m favourable to budget mainly due to timing of receipts.

The new finance system Integra had a successful launch and went live across the Service on 1 September 2017. The new system had replaced the outgoing SAP system that was no longer being supported by the hosts Staffordshire County Council. The new system had been well received by the Finance Team and users across the Service based upon its improved functionality, ease of use and improved reporting capability. The Finance Team had worked incredibly hard with Integra to build the system and to ensure a smooth introduction into the Service.

49. **RESOLVED** – Members noted that the:-

(a) Total Revenue Budget for 2017/18 as approved by the Fire Authority on 15 February 2017 was £39.94m.

(b) Total Revenue spend as at 30 September 2017, was £20.3m, in line with budget (as outlined in Appendix 1 to the report).

(c) Budget for 2017/18 included £1.0m of targeted savings, to be delivered in year of which £0.5m had been included within the budget at 30 September. An updated Efficiency Plan was currently in preparation and would be submitted to the Committee in January 2018.

(d) Total Capital spend as at 30 September 2017 was £1.3m, (as outlined in Appendix 2 to the report) against an approved budget of £7.9m. This was represented by the budget approved of £7.1m and carry forward from 2016/17 of £0.8m.

(e) Total useable reserves held by the Authority as at 30 September 2017, as per the Accounts for the approved Statement of Accounts for 2016/17 was £11.1m (Specific Reserves £9.2m, General Reserve £1.9m). The Reserves Strategy for the Authority was updated and approved by this Committee at the last meeting in September.

(f) Total cash held in investments, as at 30 September 2017, was £18.5m, £1.8m favourable to budget.

(g) Response to the 2018-19 Local Government Finance Settlement Technical Consultation Paper was submitted to the Department for Communities and Local Government on 26 October 2017 following consultation with the Chairman and the Chief Fire Officer/Chief Executive.

### **Strategic Risk Register** (Schedule 6)

50. The Strategic Risk Register was reviewed on 13 September 2017 by the Principal Management Team, the Member Champion Jonathan Price and two Open Chairs. The Strategic Risk Register aimed to identify and evaluate the major risks to the Service and enable appropriate action to be taken with a view to increasing the probability of managing the risks. At the meeting on 13 September 2017 two new risks were suggested and these were discussed.

Firstly, the Service had received notification from the Civil Contingencies Unit (CCU) that they had reviewed the Staffordshire Community Risk Register and wished to inform us that they had three high risks, these being large scale flooding; pandemic flu; and complete catastrophic failure of the national electricity network. The attendees were informed that with regard to flooding and pandemic flu, these both formed part of the Corporate Business Continuity Plans. With regard to the power failure, the National Grid believed that if this should occur, it may well affect a large area for at least 72 hours. The restoration of power would have to be very gradual, if not, the whole network may fail again, so this may take longer to restore. This was covered under Risk 1 that dealt with SFRS ensuring that it maintained, reviewed and tested its robust Business Continuity plans. Power down exercises at various stations already formed part of the Business Continuity testing regime, a few of these tests would be extended to cover the lengthened time period. A test would be carried out at one of the stations over the next few weeks.

The second new risk suggested, referred to the failure of SFRS to have a Central Register and/or an overall custodian for all Service Level Agreements (SLAs), Contracts, Memorandum of Understanding (MOU), Agreements and Licenses that SFRS hold. It was decided that this formed part of Risk 4 Protective Security. A Working Group had been established and this Group would have the overall responsibility for these; this would provide consistency, standardisation and an auditable trail.

Any changes made to the wording on the Risk Register, since the previous review, were shown in red writing.

Mr Price, the Authority's Risk Champion, advised that he had found the Strategic Risk Register meeting interesting and relevant and would encourage any other Members to attend. Mrs Hollinshead advised that the next meeting to review the register again was being held the next day.

Members discussed the Emergency Services Mobile Communications Programme and were advised that this was a centrally driven project and involved both the Police and Ambulance Services. Due to the nature of the project the Service could only mitigate the risk so far. The end date for the project had not moved although the project timetable had slipped which would mean that the remaining work would need to be condensed into a shorter timescale meaning additional pressure to complete the project within the set timetable. The risk rating had remained high.

51. **RESOLVED** – That the revised Strategic Risk Register be approved.

### **Property Audit Report – PFI Contract Management** (Schedule 7)

52. In June 2017, following a request by the Head of Estates, the Home Office appointed Local Partnerships to undertake a Contract Management Review of the Authority's two PFI contracts. The two PFI contracts, which were in full operational mode, consisted of:

- PFI 1 with 10 sites under an Facilities Management contract with Engie which had been operational since 2011 and
- PFI 2 with 11 sites under an Facilities Management contract with Kier FM which had been operational since 2016

Following PFI 2 moving into the contract management phase it was considered timely to initiate the audit in order that the Contract Management Team within the Property Department could assess whether the existing skills, experience and approach were commensurate with what was considered nationally as good practice. An independent audit would also allow for relevant improvement strategies to be developed in order to enhance both the overall performance of the Contract Management Team within the Property Department and ultimately the performance of both Facilities Management providers in delivering the services contracted to them.

The Audit report carried out in June 2017, which was attached as Appendix 1 to the report concluded the following which were summarised in the RAG (Red, Amber, Green) /Direction of Travel report which was attached as Appendix 2 to the report.

#### **Strengths: (Green)**

- Strong Governance arrangements

***“The Authority has demonstrated an excellent and comprehensive approach to internal governance processes in relation to the monitoring and management of the PFI projects”***

- A good understanding of the contract criteria (availability etc)
- Strong financial controls through invoicing arrangements
- Strong Control measures to deal with major issues / reconciliation

The approach to dealing with these matters would be to “Hold and Maintain” the strong position.

Mr Greensmith advised that officers had maintained the strong financial controls and had deducted payments over the years.

**Areas requiring some work: (Amber)**

- Good working Knowledge of contract objectives
- Strong capability with access to relevant advisors
- Life Cycle considerations
- Knowledge Management – The capture and retention of the knowledge of key team members who have dealt with all aspects of both PFI contracts through succession planning and relevant training
- Resources – Ensuring that the contract management team have the capacity to actively manage the PFI contracts

Work had commenced to address these matters with a view to strengthening the capacity and capability of the Property department.

**Areas for improvement: (Red)**

- Preparation for Value testing milestones within the contract

Work had commenced in addressing this matter with structured meetings arranged with each Funding manager (SPV) in order to effectively plan ahead of all relevant milestones.

In summary the audit had been an extremely useful exercise and had confirmed that the PFI contracts were being managed professionally with the Authority’s interests being protected. The audit had provided the Contract Management Team with clear guidance in developing focused improvement strategies (as detailed in Appendix 2 to the report) that would strengthen this component of the Whole Fire Authority’s Estate. These matters would be considered as part of any departmental restructure arrangements resulting from the forthcoming planned Transformational reviews.

Mr Greensmith advised that this had been a useful exercise with a lot of positives. With regard to the Facilities Management aspect of the project a good example would be for the Service to undertake a market testing exercise with regard to the cost of cleaning.

Mr Greensmith also advised that a Senior Manager from the PFI Team would be retiring in 2018 after many years with the Service and so it was imperative that his knowledge was imparted to the remaining Team. Mr Barber advised that training and development would be undertaken by remaining Team members to ensure that systems were in place for when the retirement took effect.

Mrs Banks, who was a Member of the IADS Programme Board and had been for many years advised Members that the PFI Team were one of the best Teams that she had ever seen. They were confident and professional in what they did and should be congratulated for the work that they had undertaken in relation to the PFI projects. She commented that she would be sad to see the Manager’s retirement.

Mr Sweeney commented upon the positive report and reiterated that this audit was something that the Service had chosen to do.

In response to a question Members were advised that each of the PFI contract ran for 25 years.

53. **RESOLVED** – That the content of the Contract Management Audit and the improvement strategies being delivered to ensure the effective management of the two PFI contracts in place within the Authority be noted.

### **Exclusion of the Public**

Upon the motion of the Chairman it was:

54. **RESOLVED** - “That the public be excluded from the meeting for the following items of business which involved the likely disclosure of exempt information as defined in the paragraphs of Part I of Schedule 12A of the Local Government Act 1972 indicated below”.

### **PART TWO**

#### **Exempt Minutes of the Strategy and Resources Committee held on 28 September 2017** (exemption paragraph 2 and 3)

55. The Exempt Minutes of the Strategy and Resources Committee held on 28 September 2017 were confirmed and signed by the Chairman.

#### **Exempt Minutes of the Service Improvement and Equality Committee** **held on 16 October 2017** (exemption paragraph 2)

56. The Exempt Minutes of the Service Improvement and Equality Committee held on 16 October 2017 were received.

#### **Wireless Network Replacement** (exemption paragraph 3)

57. – 58. Members considered a report on the progress of the project to replace the Service Wireless Network and made a decision thereon.

**CHAIRMAN**

**MINUTES OF THE HUMAN RESOURCES AND ETHICS COMMITTEE  
HELD ON 30 NOVEMBER 2017**

Present: Cooper J (in the Chair)

Bowers, Miss S A	Kallar, G S
Clarke, R J	Lawson, I S
Jones, J S	Snape, P A

**Apologies:** Tagg, S J and Winnington, M J.

**Also in Attendance:** Mr T Hyde, Director of Response, Mrs S Wilkinson, Head of Human Resources, Mr D Hogan, Group Manager and Mr D Steele, Station Manager.

**PART ONE**

Documents referred to in these Minutes as schedules are not appended but will be attached to the signed copy of the Minutes. Copies, or specific information in them, may be available on request.

**Membership of the Committee**

24. Mr Cooper the newly appointed Chair of the Committee welcomed everyone to the meeting and outlined the Membership of the Committee for Members information. It was remarked that the low attendance at the last meeting of the Committee was due to the Elections taking place at the time and it was accepted that the attendance was usually good.

25. **RESOLVED** – That the Membership of the Committee be noted.

**Minutes of the Meeting held on 29 June 2017**

26. **RESOLVED** – That the Minutes of the meeting held on 29 June 2017 be confirmed and signed by the Chairman.

**Notes of the Staff Consultation and Negotiating Forum  
held on 19 July 2017**

27. **RESOLVED** - That the Notes of the Staff Consultation and Negotiating Forum held on 19 July 2017 be received.

**Discipline and Grievance Procedure Monitoring Report  
(Schedule 1)**

28. Mrs Wilkinson updated Members on discipline and grievance cases and provided information on the usage and effectiveness of the disciplinary and grievance procedures. The information referred to cases between June 2017 and October

2017, which followed the last report that referred to cases up to the end of May 2017. Statistical data for this period was attached to the report for Members' information.

There were 26 incidents of informal action recorded in that period. Thirteen of those incidents were related to absence; 3 for Wholetime staff, 4 for Retained staff and 6 for Support staff.

Thirteen minor disciplinary offences had been committed and related to conduct by members of staff. This resulted in 6 informal warnings issued to Retained duty staff, 3 to Wholetime staff and 4 to members of the Support staff. There were no cases of informal action that related to capability.

There were two discipline cases heard in this period that resulted in a formal sanction being issued. One case involved a member of the Wholetime staff and the other a Support member of staff. The latter case was appealed but the original decision was upheld.

There were four grievances raised during the period; one by a Support member of staff which related to the length of a Service process and the ongoing communication, which was upheld in part. The remaining three cases were raised by Wholetime members of staff, one in relation to the support provided in respect of managing a colleague's behaviour as well as their own treatment which they deemed to be unfair. The case was upheld in part. The other two cases were in respect of the Service's process in selecting personnel to move location but both of these were rejected.

## **Trends**

There had been a slight increase in the number of cases but it was stated the report covered a longer period of five months instead of the previous reporting period of three months. On average the incidence of cases had reduced in respect of discipline and informal activity although there had been an increase in the number of grievances received.

Members discussed the report as presented. A Member enquired on what action is taken following a final written warning. Mrs Wilkinson advised that following an investigation if further action was required then it would be taken to a Hearing but the Hearing would be dependent on other factors such as conduct, before going to the next stage of dismissal. Mrs Wilkinson also stated that if an individual reoffended whilst on a final warning, it would not necessarily lead to automatic dismissal as each case is dealt with on its own merit and an extension to the existing warning may be considered as an alternative to dismissal. Only a member of the Executive Team could make the decision to dismiss.

29. **RESOLVED** – That the Discipline and Grievance Monitoring report be noted.

### **Absence Monitoring Report** (Schedule 2)

30. Mr Hyde introduced the report which is now collated via the Firewatch system and showed absence by department and absence type for the period 1 April to 31

October 2017. In total the Service had lost 2121 shifts to unplanned absence and when extrapolated over the financial year gave an expected absence level of 3636 shifts lost in the year. It was also highlighted that 711 shifts had been lost to mental health and neurological conditions which equated to approximately 30 per cent of all absences. Officers were working with Occupational Health and a number of training providers to raise awareness of issues that might impact on mental health and wellbeing. A programme of Mindfulness awareness had been rolled out, with the second cohort of trainees currently attending a session of eight weeks duration. All employees are encouraged to be open about mental health and the Service was committed to removing any stigma that might be perceived to be linked to mental wellbeing.

Members considered the data presented in the report and discussed possible reasons for the increase of mental health and neurological conditions within the Service. Mr Hyde advised that the average age of the work force was now 43/44 years and absence from work for conditions such as chest infections impacted more on the operational staffing levels whereas it would be possible for non-operational staff to still be at work. There were fewer staff employed by the Service than five years ago and the work intensification also had a major impact.

In response to a Member's question regarding redundancy being a genuine fear, Mr Hyde advised that over the period there had been some reduction of staff mainly by natural wastage and this would continue.

A Member stated that as an HR Committee there were concerns regarding the current position of mental health and there was a need to send a clear message that further cuts should be avoided. This view was also supported by other Members of the Committee. Mr Hyde advised that the Principal Officers had given a commitment there would be no further cuts within the operational workforce until 2020, although they were aware of the current political environment.

Mrs Wilkinson commented that some of the mental health cases were due to individuals not managing change well when having to work in a slightly different or at another location. If there was a need to reduce staffing then other options would be considered and compulsory redundancy would always be the last resort after alternative solutions had been explored. Support was also provided to staff who were experiencing difficulties via Occupational Health.

Members enquired on the current staffing levels. Mrs Wilkinson advised across the 33 stations there were 866 staff in total and comprised of 289 wholetime staff, 382 retained staff and 195 support staff. She confirmed it would be possible to work out the number of shifts lost per person in order to be able to target specific areas. In response to a Member's question regarding a matrix that showed the comparison between stations, Mr Hyde advised this information would be available at the next meeting of the Committee.

**31. RESOLVED** – That the Absence Monitoring Report be noted.

## Flexible Working Policy Consultation Update

32. Mrs Wilkinson provided an update on the Service's Flexible Working Policy for Support Staff and Day Duty Staff that was currently under consultation. The last Policy was issued in April 2002 but following an audit by Firewatch it was identified that the policy was not reflective of the needs of the organisation. In particular the areas surrounding timekeeping and the management of working hours needed to be addressed in order to provide more guidance for Managers. There was a need to cover the business needs from 8.30am – 5pm with an area of flexibility. Other changes to the existing policy included:

- **A change of the core hours** - from (10am – 12noon and 2pm – 3pm) to (10am – 12noon and 2pm – 4pm). Although this was previously set at 3pm it was found not to have been managed effectively. After consideration the core hours would remain at 4pm but Managers could exercise flexibility to 3pm under special circumstances if warranted.
- **Management of lieu time** - in the past excessive lieu time had been accrued over the eight week accounting period. This would be easier to manage on the Firewatch system and therefore it was agreed only 20 hours maximum could be carried over to the next accounting period. This would assist Managers and staff in managing lieu time more effectively.
- **Further clarity was provided for** - conclusion of the working day, ie. Transport staff would be allowed 10 mins at the end of the day for changing out of work gear etc. and Support Staff to ensure they operate a clear desk policy. There is also more clarity on recording external appointments etc on Firewatch.

Mrs Wilkinson advised that the revised policy had been seen by the Representative Bodies and following the consultation period it was hoped to be reissued within the next 3 weeks. Once published it would be brought back to the Human Resources and Ethics Committee for information.

33. **RESOLVED** – That the update on the Revised Flexible Working Policy be noted.

## Business Transformation Process Overview (Schedule 3)

34. Business Transformation Lead Officers Dermot Hogan and David Steele delivered a presentation which provided an overview of the Business Transformation Process. There had been a recognition of potential financial pressures with the need to generate a capacity to ensure the Service met its commitments. The Overview covered the Terms of Reference of the Process, Systems Thinking and the Work Programme.

Terms of Reference – Business Transformation has been a continuous process within the Service since 2010 and the Team had reformed approximately four weeks ago and has been progressive in looking at challenges and changing processes to work more efficiently. The Team will be supporting David Greensmith, Director of Finance and Resources in the efficiency programme to highlight any potential and

additional savings. They would also be supporting departmental reviews across all areas of the organisation.

Systems Thinking – This will involve the study of interrelated processes/functions in which we work to achieve a set outcome or result; how we get demand in and how we deal with that demand; also what are the outcomes required from the Service. If a change is made in one department then we would have to be mindful on the impact across the organisation. It is important to ensure the measures taken must:

- Relate to purpose
- Help to understand and improve the work (identify when and why issues are occurring)
- Demonstrate capability and variation
- Be in the work, used to control and improve the work
- Be used by managers and staff to take action on the system to improve performance.

Work Programme – This will consist of:

- A review of previous Systems Thinking work
- A focus on Service Support functions/departments
- Linked to the Service Efficiency programme
- Used to inform and redesign where appropriate
- Timescales and milestones.

Members discussed the presentation and commented on the impact it would have on the staff. Mr Hogan advised that a number of Managers across the organisation had received Systems Thinking training and part of the Team's role is to support them in the process. Staff were aware that business transformation was taking place and the majority understood the methodology involved. Mr Hyde added it was fair to say that not all staff welcomed the process but the Team would be taking the time to speak to them and explain the reasons behind it.

Mr Hogan added that the ongoing collaboration work would form part of the business transformation and it was intended to get a member of support staff involved in the Team to assist with the reviews. The Team would be reporting to the Executive Team on a regular basis and then to the Fire and Rescue Authority in due course.

The Chair and two Members of the Committee expressed a wish to see some evidence of the methodology used. Mr Hogan advised this request would be actioned as soon as possible.

Members thanked Mr Hogan and Mr Steele for their presentation.

35. **RESOLVED** – (a) That the presentation be received.

(b) That evidence of the methodology for Business Transformation be forwarded to Members in due course.

### **Anticipated future Items for consideration by the Committee**

36. Members discussed items to be considered at future meetings of the Committee and confirmed the following items:

- Retained Duty System Terms and Conditions – further updates following a 12 month period of performance (March 2018).
- Recruitment and Retention – outcome of the Wholetime recruitment process (March 2018).
- Occupational Health Provision – A further progress report to be tabled at the meeting of the Committee in July 2018.
- Firefighter Fitness Assessments – Further updates to follow.
- Further Training reports, as and when required.
- Fire Control – further updates to follow.
- Gender Pay Gap – (July 2018).

37. **RESOLVED** – That the Items for future meetings be noted.

### **Date of the next Meeting**

38. Members were advised that the next meeting of the Committee was scheduled to be held on Thursday 15 March 2018 at 10.30am.

### **Exclusion of the Public**

Upon the motion of the Chairman it was:-

39. **RESOLVED** – That the public be excluded from the meeting for the following items of business which involved the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below.

### **Exempt Notes of the Staff Consultation and Negotiating Forum held on 19 July 2017 (exemption paragraph 4)**

40. In response to a question regarding an update on the PCC Business Case, Members were advised that the Business Case had been submitted to the Home Office and the Home Secretary had asked CIPFA to undertake a review.

41. **RESOLVED** – That the Exempt Notes of the Staff Consultation and Negotiating Forum held on 19 July 2017 be received.

**CHAIRMAN**

**MINUTES OF THE SCRUTINY AND PERFORMANCE COMMITTEE  
HELD ON 6 DECEMBER 2017**

Present: Banks, Mrs K M (in the Chair)

James, A K

Jellyman, D M

**Apologies:-** Atkins, P E B, Cooper, J, Powell-Beckett, Mrs J, Tagg, S J and Winnington, M J.

**Also in Attendance:** Mr T Hyde, Director of Response, Mr D Hogan, Group Manager Business Transformation and Mr S Ruckledge, Fire Engineer.

**PART ONE**

Documents referred to in these minutes as schedules are not appended but will be attached to the signed copy of the minutes. Copies, or specific information in them, may be available on request.

**Quorum for the Meeting**

36. Mrs Banks advised Members that the meeting was not quorate.

37. **RESOLVED** – That, although the meeting was not quorate, they would proceed with the meeting as there were no decisions to be made.

**Minutes of the Meeting held on 17 October 2017**

38. **RESOLVED** – That the Minutes of the Scrutiny and Performance Committee held on 17 October 2017 be confirmed and signed by the Chairman.

**Membership of the Committee**

39. As discussed at the last Meeting, Members were advised that Mr Simon Tagg had replaced Mrs Gill Burnett and would assume her duties as the Vice Chairman of the Committee.

40. **RESOLVED** – That the change in Membership/Vice Chairmanship of the Committee be noted.

**Business Transformation Team – Work Programme Overview**  
(Schedule 1)

41. For the benefit of new Members, Mr Hogan outlined his background with the Fire and Rescue Service to date, prior to his current role with the Business Transformation Team. Working with him on the Business Transformation Team was Mr David Steele who had also experienced a number of different roles within the Service, with his latest role being with the Office of the Police and Crime Commissioner. He explained that Business Transformation was around how the Service looks at what it does to meet the challenges in the future. It was about ensuring that there was a purpose for each of the processes that were undertaken by the Service.

Mrs Banks asked Mr Hogan to give an example of where Business Transformation had made a difference. He advised that for many years each office had been asked to complete a P1 form for all individuals which outlines which days people were in the office, which days you were on holiday, or off sick etc. On looking into this a bit further it was discovered that no one used the information that was contained within the P1 form. Now that the Service had moved to the Firewatch system this does all of the things that the P1 did, across the whole Service. The Service would ensure that it did not collect data that it did not need. Mr Hogan advised that systems thinking was used in the development of the Community Safety Options.

Mr Hyde advised that a good example were Home Fire Safety Checks that were introduced in 1999. At that point in time these involved just putting up a smoke alarm with a brief discussion about the need to be safe. The “measure” of success for that was that we had fitted a smoke alarm. The fitting of the alarm was only part of the issue. The Service then decided to add more specific fire safety advice. Then they looked at whether the Service could make people safer from other things eg medical issues. The Service then decided to look at the whole intervention and developed the Safe and Well visits, which incorporated all of these aspects. This was a good example of where the continual review process has worked well.

Mr James advised that a lot of communication in his area was dealt with by the Parish Council. He asked whether his local Service Delivery Group officer would attend the Parish Council meeting to give a presentation to advise them of the work of the Fire Service, perhaps in the New Year. Mr Hogan undertook to liaise with Mr Broadhead on this matter.

Mr Hogan gave a presentation which outlined the Terms of Reference of the Team, explained Systems Thinking and outlined the work programme.

Mr Hogan advised that they were two and half weeks into the work programme and both he and Mr Steele were having refresher training. They were looking to bring an additional person into the Team from a Support Staff background, as both he and Mr Steele were operational. It would be valuable to have someone on the Team with a Support background to give a different perspective and to ensure that they explored all of the options. Business development and transformation had been running since 2010 and was progressive in developing the Service and continuing with the systems thinking process across the Service Delivery Groups. The Team would support the efficiency programme – the Service had a four year efficiency plan where savings were outlined and had been realised. The Team would assist in identifying opportunities. The Team would also support departmental reviews. The Service had recently reviewed the Learning and Development Department and was also trialling the reduction in the number of delivery groups from three to two. This would be reviewed in 6 and 12 months time.

The presentation outlined – “What is a System” - A set of interrelated processes/functions in which we work to achieve a set outcome or result, a purpose.

It also outlined - “What is Systems Thinking” - The study of interrelated processes /functions in which we work to achieve a set outcome or result, a purpose.

Mr Hogan advised that in 2010 when the Service first started looking at business transformation they employed “Vanguard” to train up officers in systems thinking. Both the Chief Fire Officer/Chief Executive and the Deputy Chief Fire Officer/Deputy Chief Executive had previously been involved with business transformation.

The Team would look at what we are here to do, what measures do we have to help guide us in our attainment of purpose and the way we design our work. They would look at how we do things, identify where there was duplication, whether it adds value and whether we could eliminate waste.

The presentation outlined the test of a “good measure”. The Service collected a lot of data and needed to make sure that this data guided the Service in the work that it does, ensuring that the skills were in the right places etc.

Mrs Banks gave an example of the Service identifying issues and then acting to reduce the demand. She advised that it had been identified that small fires increased over school holidays (which was the “measure”). The Service identified that they could do something about this and had launched various initiatives.

Mr Hogan advised that the Team would review previous Systems Thinking work. The focus would be on Service Support functions/departments. The work would be linked to the Service’s efficiency programme. The work would be used to inform the redesign of services where appropriate. He advised that it was not about “doing this” to our staff but about doing transformational things with our staff. The solutions quite often came from individual suggestions. He advised that they had been asked by the Deputy Chief Fire Officer/Deputy Chief Executive to concentrate on Headquarters departments. They were currently working with estates and would then move on to look at the Human Resources Department. The Team would also be supporting Service Delivery Group changes.

Mrs Banks enquired as to whether the Service involved trade unions in the process. Mr Hogan advised that the trade unions were fully involved.

Mr Hogan advised that it was difficult to predict the exact timescales for the work as it was time consuming. The Team would sit with staff to ensure that they knew the roles. There was an expectation that the Team would be able to report their progress to the Principal Officers and Directors in the New Year.

Mrs Banks thanked Mr Hogan for his presentation.

42. **RESOLVED** – That the Business Transformation Team Work Programme Overview be noted.

### **Items for Future meetings**

43. Members held a discussion on possible future items for scrutiny.

Mr Hyde advised that they were not in a position to report the outcomes of the Exit Data until the report had been produced by the University of Exeter. The University had released some information to the Service around the treatment of casualties ie keeping the casualties warm with a hat or space blanket during extrication, getting them to hospital as quickly as possible and administering oxygen as quickly as possible. He advised that some doctors carried out interventions at the scene. Mr Hyde advised that in the past lengthy periods of time were taken to stabilise a patient at the scene before being transported. In some cases it would be necessary to get the patient to the operating table as soon as possible to save their lives. He advised that there was a great deal of learning to come out of the report and they needed to see the full picture. He advised that the report would be presented to the Committee in due course.

Mrs Banks advised that the fire service were frequently first on the scene. Mr Hyde advised that all firefighters were trained to “first person on scene level c” and so were adequately trained to deliver the first interventions in these cases.

Following discussions Members concurred that the following items be brought to future meetings of the Scrutiny and Performance Committee:-

1 February 2018	Retained Duty System, recruitment and retention – a review of the RDS crewing system
	Response Standards
	Performance Report
Future Items date not yet specified	Impact of the Safe and Well Visits (early 2018 - April)
	Outcomes of the EXIT Programme once the University of Exeter report is received

#### **Date of next Meeting**

44. Members were advised that the next meeting of the Committee was scheduled to be held on Thursday 1 February 2018 at 2.15 pm.

#### **Exclusion of the Public**

Upon the motion of the Chairman it was:

45. **RESOLVED** - “That the public be excluded from the meeting for the following items of business which involved the likely disclosure of exempt information as defined in the paragraphs of Part I of Schedule 12A of the Local Government Act 1972 indicated below”.

#### **PART TWO**

#### **Community Sprinkler Project – Phase 2 Update** (exemption paragraph 3)

46. – 47. The report gave Members an update on Phase 2 on the Community Sprinkler Project, the content of which was noted.

**CHAIRMAN**

**Stoke-on-Trent and Staffordshire Fire and Rescue Authority**

**Strategy and Resources Committee**

**23 January 2018**

**Revenue Budget Report 2018/19**

**Report of the Chief Fire Officer/Chief Executive and the  
Director of Finance, Assets and Resources**

**Summary**

This report advises Members on the potential Revenue Budget for 2018/19 and Council Tax options for their consideration and recommendation to the full Authority on the 14 February 2018.

The Settlement Funding assumptions contained within this report are based upon the Provisional Local Government Finance Settlement issued on 19 December 2017. This Settlement Funding Assessment for 2018/19 is broadly in line with the original 4 year settlement covering the period from 2016/17 to 2019/20 with the individual elements being discussed in more detail within this report. This budget for 2018/19 is the third year of this settlement period and also the Authority's Efficiency Plan submission.

The Settlement Funding for 2018/19 includes a reduction in Revenue Support Grant (RSG) of £1.0m as part of the overall £4.8m reduction during the period 2016/17 to 2019/20. RSG is forecast to be reduced to £4.6m by 2019/20, a reduction of 65% (£9m) from the level received in 2012.

Following the Members Development Budget Workshop on 5 January 2018, the budget proposal contained within this paper incorporates two options for Band D Council Tax to be increased in 2018/19 by either; 2.75% or 2.99%. The Core Spending Power explanatory note issued during the settlement assumes that local authorities increase their Band D Council Tax in line with revised 3% referendum limit throughout the period to 2019/20. This flexibility for local authorities in setting Council Tax levels will give some councils the option of raising extra money to offset some of the financial pressures faced next year. The Council Tax requirement also assumes that the Authority's average annual growth in the Council Tax base between 2013/14 and 2017/18 is applied to 2018/19.

A 2.75% increase in Council Tax is equivalent to an additional £1.97 per annum (4 pence per week) and would increase Band D Council Tax for this Authority to £73.53 (£1.41 per week).

A 2.99% increase in Council Tax is equivalent to an additional £2.14 per annum (4 pence per week) and would increase Band D Council Tax for this Authority to £73.70 (£1.42 per week).

The budget process for 2018/19 has involved full consultation with all budget holders and calculated from a zero base. Where possible all recurring efficiencies and savings achieved to date have been incorporated into the base budget.

The budget also assumes and recognises the costs pressures that are currently in place, which includes pay inflation, business rates, increasing level of general inflation, and the revenue consequences of capital spend and impact upon future borrowing requirements.

## **Recommendations**

- (a) To consider recommending to the Authority on 14 February 2018 a Council Tax increase of 2.75% (**see Appendix 1**), or 2.99% (**see Appendix 2**), as requested at the Members Budget Development Workshop held on 5 January 2018.
- (b) To note the position regarding reserves for each option as set out within **Appendix 4**.
- (c) To note that the budget for 2018/19 is consolidated and includes recurring and non-recurring revenue.
- (d) To note that the budget has been calculated to support the second year of the new Corporate Safety Plan for 2017-20 and also incorporates the principles established within the Staffordshire 2020 document and reviews the assumptions contained within the Efficiency Plan and current Medium Term Financial Strategy (MTFS).
- (e) To note that the budget includes £0.8m of savings to be achieved during the budget year, equivalent to a 2% reduction on total budget, and is the third year of an approved plan to deliver £4.0m of savings in the four years 2016/17 to 2019/20. This paper also reviews the option to reduce this total level of saving to £3.5m by 2019/20.
- (f) To note that the proposals within the report were discussed by Members on 5 January 2018 during the Members Budget Development Workshop.
- (g) To note that the Council Tax base is forecast to increase to 341,915 properties, which is equivalent to an increase of 1.82%. The Council Tax collection fund is also estimated to be in surplus by £0.3m. This is based upon estimates received by the billing authorities and has yet to be finalised.
- (h) To note that upon finalisation of the Council Tax base, Council Tax surplus/deficit and local business rates allocation (NNDR1), there will be some amendments required to the information incorporated within this report, prior to submission to the Authority.

## **Financial Implications**

The financial implications are considered throughout this report.

## **Legal Implications**

The Authority is required to set a balanced budget. The strategy outlined in this report will ensure that this is achieved for 2018/19.

## **Equality and Diversity**

Whilst this report does not raise any Equality and Diversity issues, the Service continues to support an internal Equality and Diversity Department. In addition, all decisions made by the Service and the Authority review any potential impact or consideration for Equality and Diversity.

## **Risk Implications**

The 2018/19 budget has been developed on the assumption that savings of c.£0.8m will be identified and delivered in the year as part of the overall Efficiency Plan. Therefore, it is essential that these are implemented in a timely way, managed, monitored and that progress is regularly reported. This will be reported through this Committee on a quarterly basis.

## **Consultation and Engagement undertaken**

The budget proposal has been compiled from a zero base following extensive consultation with budget managers, Directors and Members of the Authority.

## **Protective Security Implications**

Protective security implications have been given due consideration when establishing the budget for ICT and the Data Management Team. Protective Security implications are also formally considered as part of all papers reviewed by the Authority and the Service. The introduction and implications of the new EU General Data Protection requirements in May 2018 have also been reflected within the budget for 2018/19.

## **Procurement and Social Value impact**

The procurement and social value implications have been given due consideration when establishing departmental budgets for 2018/19.

## **Other implications**

None

## Background

### Settlement Funding and Efficiency Plans

1. Following the release of the Autumn Statement by the Government in November 2015, the Authority received the provisional Local Government Finance Settlement in December 2015 and an offer to councils for future years. This offered single purpose Fire and Rescue Authorities firm four-year funding allocations to 2019/20 in return for robust and transparent efficiency plans.
2. The Authority submitted an Efficiency Plan to the Home Office in October 2016 in order to accept the four-year funding allocations, alongside 97% of authorities who accepted this offer from Government. The offer included certainty over the following funding streams; Revenue Support Grant (RSG), Business Rates tariff and top-up payments, and also Transition Grant.
3. The budget proposals contained within this report are based upon the Provisional 2018/19 Local Government Finance Settlement received on 19 December 2017. This document is now out for consultation until 16 January 2018.
4. The original Local Government Finance Settlement incorporated a total reduction in Revenue Support Grant of £4.8m by 2019/20 which was incorporated into the approved Medium Term Financial Strategy and Efficiency Plan for the Authority, as follows:
  - 2016/17 - £1,429,471 (Actual)
  - 2017/18 - £1,822,582 (Actual)
  - 2018/19 - £ 964,695 (Actual)
  - Actual to date - £4,216,748** (Total reduction for 3 year period)
  - 2019/20 - £ 580,849 (Final year reduction)
  - TOTAL - £4,797,979** (full 4 year reduction in RSG)
5. The above is equivalent to a reduction in RSG of c.50% during the period 2016/17 to 2019/20. Based upon the above the Revenue Support Grant by 2019/20 will be £9m (65%) lower than the level received in 2012.
6. Settlement Funding comprises of three funding streams shown below as incorporated within the draft settlement issued for 2018/19:

	<b>2017/18</b> <b>£</b>	<b>2018/19</b> <b>£</b>	<b>Movement</b> <b>£</b>
1% share of Local Business Rates	3,714,519	3,670,604	(43,915)
Business Rates Top-up	5,640,795	5,852,983	212,188
Revenue Support Grant (RSG)	6,220,069	5,255,374	(964,695)
<b>Total Settlement Funding</b>	<b>15,575,383</b>	<b>14,778,961</b>	<b>(796,422)</b>

## **Business Rates / Business Rates Top-up**

7. The Authority currently receives a 1% share of local business rates, in addition to a business rates top-up. Members should note that the actual 1% share of local business rates figures will not be finalised until the 31 January 2018 when the district, borough and city council have all completed their NNDR forms (Non-Domestic Rating Income Calculation and Estimate of Collection Fund Surpluses and Deficits), and the above forecast is based upon estimates received to date for total business rates for 2018/19 and surplus or deficit on the collection funds.
8. Overall the 1% business rates share for 2018/19 is down on the previous year mainly due to a reduction in the surplus of the business rates collection fund, although overall business rates are down in some areas of the County. As discussed above, this position that will not be confirmed until 31 January 2018.
9. The business rates top-up estimate included within this budget report is based upon the Settlement Funding estimate received within the Provisional Financial Settlement.

## **Council Tax**

10. The setting of Council Tax is under the control of the Authority. The Band D Council Tax for Stoke-on-Trent and Staffordshire Fire and Rescue Authority is currently £71.56.
11. The Authority previously accepted freeze grants for the four years 2011/12 to 2014/15, which have all been incorporated into Settlement Funding (total £1.1m), with the exception of the 2012/13 freeze grant of £0.7m which was removed from funding completely.
12. The Authority increased Band D Council Tax in 2015/16 and 2016/17 by 1.95% and 1.99% respectively and by 1.75% in 2017/18.
13. In order to partly mitigate the significant reduction in Settlement Funding the approved Efficiency Plan and MTFs includes assumptions that the Authority will increase Council Tax by a minimum 1.75% per year up to 2019/20 and in addition the Council Tax Base will increase by approximately 1.5% per year for the same time period.
14. The referendum limit has now been revised for 2018/19 and 2019/20 to 3%, the maximum Council Tax increase without triggering a referendum would therefore be 2.99%. A 2.99% increase in Council Tax is equivalent to an increase in Band D of £1.42 per annum (4p per week) and would raise an additional c.£730k in Council Tax revenue every year.
15. A Council Tax increase of 2.75% would generate an additional £670k per annum. This increase would be equivalent to £1.41 per annum (4 pence per week) and would increase Band D Council Tax for this Authority to £73.53 (£1.41 per week).

16. This flexibility for local authorities in setting Council Tax levels will give some councils the option of raising extra money to offset some of the financial pressures faced next year that are discussed in more detail within this budget paper.
17. The Council Tax base is currently forecast to increase to 341,915 properties in 2018/19 which is equivalent to an increase of 1.82%. The Council Tax collection fund is also estimated to be in surplus by £0.3m. This information will be finalised prior to the final budget report being completed and a verbal update on the latest position will be available to Members during the meeting.
18. The two Council Tax options of 2.75% and 2.99% are provided within **Appendix 1 and Appendix 2**, should Members wish to consider an alternative Council Tax approach this should be raised during the Committee meeting.

### Revenue Budget 2018/19

19. The Revenue Budget sets out to support and enable the delivery of the second year of the Authority's Corporate Safety Plan covering the period 2017/18 to 2019/20.
20. **Appendix 1** sets out the proposed revenue budget of £40,229,000 for 2018/19 based upon a Council Tax Increase of 2.75%. The total Revenue Budget requirement for alternative Council Tax options is shown within **Appendix 3**.
21. The key features of the budget, are as follows:

#### (i) Pay costs Revenue budget

The overall pay costs budget for 2018/19 at £28.7m, is £0.7m more than last year's budget, this also incorporates a lower savings and efficiencies target to be delivered during the year 2018/19.

The pay budget also reflects the upwards pressure on pay and includes the impact of a 2% assumed pay award for 2018/19. Members will be aware that a provisional 1% pay award has been agreed for 2017/18, however this is not a final settlement and significant pay uncertainty remains with the removal of the public sector pay cap.

The following bridge explains the net increase in pay costs:

	<u>£m</u>
<b>Pay Budget - 2017/18</b>	<b>28.0</b>
Impact of wholetime reductions (12 posts from 1/1/18)	(0.5)
Learning and Development Day Shift introduction	0.3
Additional seconded posts (all funded externally)	0.5
Reduction in pay efficiency target	0.2
Posts removed from establishment net	(0.2)
Pay increase 2% award budgeted	0.4
<b>Pay Budget - 2018/19</b>	<b>28.7</b>

## **(ii) Non-pay costs**

Non-pay costs are budgeted to increase by £0.3m in the budget 2018/19. Some of the main movements in non-pay costs are as follows:

- Premises costs have increased by £0.3m which has been mainly attributable to an increase in business rates following the 2017 revaluation exercise by the Valuations Office Agency. There is a formal Check, Challenge and Appeal process that is being undertaken with the VOA but this is likely to take a considerable amount of time.
- Transport costs at £0.8m are in line with previous year. The increase in the price of fuel has been offset by a forecast reduction in mileage.
- The targeted non pay efficiency saving remains the same at 2018/19 at £0.3m
- Non Pay includes a charge of £1.0m payable to West Midlands Fire Service, this represents 30% of the budgeted cost of running the Joint Fire Control. This budget has yet to be finalised at will be updated before the final budget is agreed in February 2018.
- Significant upward pressure is affecting non pay costs for 2018/19 due to the uncertainty and the recent increase in the level of price increases (RPI).

## **(iii) Income**

Income for 2018/19 is budgeted to increase by £0.6m to £2.2m with the increase being driven by the following:

1. A number of staff have now been seconded onto regional projects e.g. Emergency Services Mobile Communications Project (ESMCP), £0.5m. The posts are all fully funded.
2. Income from the Apprenticeship Levy has now been estimated, and represents the draw down against the amount paid into the Levy (0.5% of pay budget)

## **(iv) Capital Charges**

Total capital charges at £5.2m are in line with the previous year:

- The £1.5m minimum revenue provision requirement for 2018/19 has increased by £0.1m in the year driven by the estimated capital financing requirement within the capital programme for 2017/18, however the reducing programme and direct funding from reserves may partly mitigate this impact during the budget year
- Direct lease payments have now expired, this has reduced the liability by £0.1m in year
- The budget assumes that the overall level of borrowing (loans) for the Authority will reduce by £1,500,000 with the repayment of two Public Works Loan Board (PWLB). Overall the level of interest payable for the year will still be at £0.9m due to timing of repayments.

- The unitary charge will increase marginally due to the Retail Price Index (RPI) increase applied to the variable elements of both PFI contracts.

## 22. **Budget Monitoring 2018/19**

Members will receive budget monitoring reports throughout the year on a quarterly basis. A monthly Resource Control Report will be issued to Members of the Service Delivery Board (SDB) and also published on the Intranet available for all staff.

A monthly Finance Publication is also issued alongside the detailed Resource Control Report.

## **Efficiency Plan Update**

23. The budget year 2018/19 includes a cash efficiency target of £0.8m. This is the third year of an overall programme to deliver £4.0m of savings by 2019/20.
24. Of the required £4.0m in savings £2.2m has already been approved and implemented by the Authority as part of; the agreed reduction of 40 whole-time posts (phased in by 1 January 2018), the approval of the revised retained payment scheme, and the Executive Team restructure
25. Additional savings of £1.8m are therefore required to be delivered in 2018/19 to 2019/20 and have been incorporated into the approved MTFS.
26. The option to increase Council Tax by 2.75% and 2.99% both include the assumption that the additional Council Tax raised over the two years 2018/19 and 2019/20 will be applied to the savings target and reduce this measure of Austerity down to £1.3m over the two year period. This will also require the additional use of Specific/Earmarked Reserves during this period, as shown in **Appendix 4**.
27. The Service has now established a new Business Transformation Team that will be reviewing the options available during the next two years using a Systems Thinking approach. This will ensure that the overall purpose of the Service remains central to any changes to operational or professional services structures.
28. An update on the Authority's Efficiency Plan was published as part of the 2016/17 Statement of Assurance and a more detailed update will be published during 2018 to cover the final two year period to 2019/20. This will provide updated information to our communities explaining how the next stages of the Efficiency Plan are to be implemented and delivered.

## **Reserves and Balances**

29. The Authority holds two reserves, a Specific Reserve which is build up through any surplus within the Income and Expenditure account and the utilisation of this fund has been established with the approved Reserves Strategy that was last updated in

September 2017; and a General Reserves which is held to protect against any spate or emergency conditions which may arise, (**see Appendix 5**).

30. At 1 April 2017 the Authority held £1.9m in General Reserves and a risk assessment for this reserves was undertaken as part of the budget setting process for 2018/19 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.7% of the proposed revenue budget for the year.
31. At 1 April 2017 the Authority held £9.2m in Specific Reserves. **Appendix 4** demonstrates the impact on Specific Reserves for the Council Tax options discussed within this paper. The schedule also assumes utilisation of capital spend as incorporated within the Reserves Strategy and assumes that 50% of the vehicle replacement programme will be supported by this reserve in addition to the reserve utilisation required to support the Revenue Budget. It does not assume use of reserves for other contingency areas that are incorporated within the Reserves Strategy (e.g. for future integration funding).

### **Medium Term Financial Strategy**

32. The MTFS has been updated to reflect the budget proposals for 2018/19 and incorporates the assumptions contained with the Provisional Financial Settlement for 2018/19 to 2019/20 which will include the increases in Council Tax for the period to 2019/20 of 2.75%. A summary of the financials covering 2018/19 to 2022/23 will be included within the Revenue Budget submission to the Authority on 14 February 2018.
33. Should the Authority choose not to increase Council Tax for 2018/19 and beyond in line with the assumptions incorporated within this report, saving targets and use of reserves will need to be re-visited.
34. The Full MTFS will be considered in detail by this Committee in March 2018.

### **Capital Programme**

35. The Capital Programme for 2018/19 will be reported in full to Members at the next Strategy and Resources Committee meeting, alongside the Treasury Management Strategy. The programme will be in the region of £4.4m for 2018/19, £2.5m for 2019/20 and £1.6m for 2020/21.

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**Recurring Revenue Budget 2018/19 – Option 1****Council Tax Increase - 2.75%**

	<b>Budget 2017/18</b>	<b>Budget Proposal 2018/19</b>	<b>Year on Year Change</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Pay</b>			
Pay Costs	26,618	27,058	440
Other Employee Costs	2,125	2,137	12
Pay Efficiency Plan Saving	(700)	(500)	200
<b>Total Pay</b>	<b>28,043</b>	<b>28,695</b>	<b>652</b>
<b>Non Pay</b>			
Premises Costs	2,800	3,148	348
Transport Costs	809	791	(18)
Supplies & Services Costs	5,154	5,110	(44)
CFS Costs and Initiatives	460	474	14
Non Pay Efficiency Plan Saving	(300)	(300)	
<b>Total Non Pay</b>	<b>8,923</b>	<b>9,223</b>	<b>300</b>
<b>Income</b>			
Income - General	(1,462)	(2,086)	(624)
Interest Receivable	(45)	(34)	11
<b>Total Income</b>	<b>(1,507)</b>	<b>(2,120)</b>	<b>(613)</b>
Capital charges	1,499	1,500	1
Interest Payable	882	873	(9)
PFI Unitary Charge	2,857	2,905	48
<b>Total Capital Charges</b>	<b>5,238</b>	<b>5,278</b>	<b>40</b>
<b>Total Revenue before Reserves</b>	<b>40,697</b>	<b>41,075</b>	<b>378</b>
Transfer to/(from) Reserves	(757)	(846)	(89)
<b>Total Revenue Budget</b>	<b>39,940</b>	<b>40,229</b>	<b>289</b>
<b>FINANCED BY:</b>			
<b><u>Settlement Funding</u></b>			
Revenue Support Grant	6,220	5,255	(965)
Local Business Rates (1%)	3,714	3,670	(44)
Government Top-up (business rates)	5,641	5,853	212
<b>Total Settlement Funding</b>	<b>15,575</b>	<b>14,778</b>	<b>(797)</b>
<b><u>Council Tax</u></b>	<b>24,365</b>	<b>25,451</b>	<b>1,086</b>
<b>Total Financing</b>	<b>39,940</b>	<b>40,229</b>	<b>289</b>

**Recurring Revenue Budget 2018/19 – Option 2****Council Tax Increase - 2.99%**

	<b>Budget 2017/18</b>	<b>Budget Proposal 2018/19</b>	<b>Year on Year Change</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Pay</b>			
Pay Costs	26,618	27,058	440
Other Employee Costs	2,125	2,137	12
Pay Efficiency Plan Saving	(700)	(500)	200
<b>Total Pay</b>	<b>28,043</b>	<b>28,695</b>	<b>652</b>
<b>Non Pay</b>			
Premises Costs	2,800	3,148	348
Transport Costs	809	791	(18)
Supplies & Services Costs	5,154	5,110	(44)
CFS Costs and Initiatives	460	474	14
Non Pay Efficiency Plan Saving	(300)	(300)	
<b>Total Non Pay</b>	<b>8,923</b>	<b>9,223</b>	<b>300</b>
<b>Income</b>			
Income - General	(1,462)	(2,086)	(624)
Interest Receivable	(45)	(34)	11
<b>Total Income</b>	<b>(1,507)</b>	<b>(2,120)</b>	<b>(613)</b>
Capital charges	1,499	1,500	1
Interest Payable	882	873	(9)
PFI Unitary Charge	2,857	2,905	48
<b>Total Capital Charges</b>	<b>5,238</b>	<b>5,278</b>	<b>40</b>
<b>Total Revenue before Reserves</b>	<b>40,697</b>	<b>41,076</b>	<b>379</b>
Transfer to/(from) Reserves	(757)	(789)	(32)
<b>Total Revenue Budget</b>	<b>39,940</b>	<b>40,287</b>	<b>347</b>
<b>FINANCED BY:</b>			
<b><u>Settlement Funding</u></b>			
Revenue Support Grant	6,220	5,255	(965)
Local Business Rates (1%)	3,714	3,670	(44)
Government Top-up (business rates)	5,641	5,853	212
<b>Total Settlement Funding</b>	<b>15,575</b>	<b>14,778</b>	<b>(797)</b>
<b><u>Council Tax</u></b>	<b>24,365</b>	<b>25,509</b>	<b>1,144</b>
<b>Total Financing</b>	<b>39,940</b>	<b>40,287</b>	<b>347</b>

**Alternative Council Tax Scenarios for 2018/19**

	Base 2017/18	Base 2018/19	1.75%	2.75%	2.99%
<b>Council Tax Band D</b>					
- Per Year Cost £	£71.56	£71.56	£72.81	<b>£73.53</b>	£73.70
- Per Week Cost £	£1.38	£1.38	£1.40	<b>£1.41</b>	£1.42
- Per Year Increase £			£1.25	<b>£1.97</b>	£2.14
- Increase in CT (Pence) - Per Week (rounded)			2p	<b>4p</b>	4p
<b>Council Tax Base Population</b>	335,793	341,915			
<b>Council Tax Yield £m</b>	<b>£24.03m</b>	<b>£24.47m</b>	<b>£24.89m</b>	<b>£25.14m</b>	<b>£25.20m</b>
<b>Increase £</b>			<b>£.43m</b>	<b>£.67m</b>	<b>£.73m</b>

**Revenue Budget 2018/19****Specific / (Earmarked) Reserves for 2018/19 to 2021/22, based upon selected Council Tax options as detailed below**

<b>SPECIFIC RESERVE BALANCE £000s</b>		
	<b>2.75% CT Increase</b>	<b>2.99% CT Increase</b>
<b>Actual 31 March 2017 (£000s)</b>	<b>9,193</b>	<b>9,193</b>
Reserves Utilisation - Budget requirement	(757)	(757)
Reserves Utilisation - Capital Investment	(753)	(753)
<b>Forecast 31 March 2018 (£000s)</b>	<b>7,684</b>	<b>7,684</b>
Reserves Utilisation - Budget requirement	(846)	(788)
Reserves Utilisation - Capital Investment	(1,000)	(1,000)
<b>Forecast 31 March 2019 (£000s)</b>	<b>5,838</b>	<b>5,896</b>
Reserves Utilisation - Budget requirement	(685)	(564)
Reserves Utilisation - Capital Investment	(1,495)	(1,495)
<b>Forecast 31 March 2020 (£000s)</b>	<b>3,658</b>	<b>3,837</b>
Reserves Utilisation - Budget requirement	(357)	(231)
Reserves Utilisation - Capital Investment	(250)	(250)
<b>Forecast 31 March 2021 (£000s)</b>	<b>3,051</b>	<b>3,357</b>
Reserves Utilisation - Budget requirement	(147)	(16)
Reserves Utilisation - Capital Investment		
<b>Forecast 31 March 2022 (£000s)</b>	<b>2,904</b>	<b>3,341</b>

**Notes**

1. All options assume that the same Council Tax increase each year to 2020

**Revenue Budget 2018/19**  
**Risk Assessment of General Reserves for 2018/19**

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that chief financial officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment for general reserves was undertaken as part of the budget setting process for 2018/19 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.7% of the revenue budget set for the year.

Whilst not a complete list of all the financial risks, the assessment focused on those most likely (High and Medium risks) to have a significant impact on the budget year. This is in line with the update reserves strategy approved by the Authority in September 2017.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2018/19 Provision £000
Loss of Employees	High	Spate conditions caused by for example; prolonged severe weather conditions, unexpected loss of staff through influenza virus	400
Failure to achieve efficiency savings	Medium	Risk of efficiency plan target savings not being delivered in year / during the settlement period to 2020	500
Insurance loss / impact of data breach	Medium	Risk of incurring uninsured losses Risk of breach due to inappropriate information sharing / failure to implement EU GDPR in May 2018	300
Ill health retirement costs	Medium	Risk of the number of ill health retirements being greater than anticipated due to ageing workforce	300
Other unforeseen costs	Medium	Risk of unforeseen event: emergency incident, waste fires / tipping	300
Other costs	Medium	Risk of failure of strategic partnership / collaboration initiatives	100
<b>TOTAL</b>			<b>1,900</b>

**Level of Balances – Summary**

Level of Risk	£'000
High and Medium	1,900