EAST SUSSEX FIRE AUTHORITY

THURSDAY 12 FEBRUARY 2015 at 10.30 HOURS

MEMBERS

East Sussex County Council (12)

Councillors Barnes, Buchanan, Butler, Earl, Galley, Howson, Lambert, Pragnell, Scott, Sheppard, Taylor and Wincott.

Brighton & Hove City Council (6)

Councillors Carden, Deane, Hawtree, Peltzer Dunn, Powell and Theobald.

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You are required to attend this meeting to be held at Fire and Rescue Service Headquarters, 20 Upperton Road, Eastbourne at 10.30 a.m.

AGENDA

Item No.	Page No.	
826.	1	In relation to matters on the agenda, seek declarations of any disclosable pecuniary interests under Section 30 of the Localism Act 2011.
827.	1	Apologies for absence.
828.	1	Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's Business. (Any Members wishing to raise urgent items are asked, wherever possible, to notify the Chairman before the start of the meeting. In so doing they must state the special circumstances which they consider justify the matter being considered urgently).
829.	1	To consider any public questions.
830.	1	To receive any petitions.
831.	5	Non-confidential minutes of the meeting held on 11 December 2014 (copy attached).

832. 2 Callover.

The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be reserved for debate. The Chairman will then ask the Fire Authority to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.

833. 13 Fire Authority Service Planning Processes for 2015/16 and beyond – joint report of the Chief Fire Officer & Chief Executive and Treasurer (copy attached).

13 Part A Draft Annual Plan 2015/16

15 Part B Fire Authority Service Planning processes for 2015/16 and beyond – Revenue Budget 2015/16 and Capital Programme 2015/16- 2019/20

834. 71 ESFRS Maritme Response Team – Future Options – report of the Chief Fire Officer & Chief Executive (copy attached).

835. 81 Fire Authority Treasury Management Strategy 2015/16 – report of the Treasurer (copy attached).

836. 107 Pay Policy Statement for 2015/16 – report of the Monitoring Officer (copy attached).

837. 117 Firefighters' Pension Scheme – new governance requirements – joint report of the Chief Fire Officer & Chief Executive, Treasurer and Monitoring Officer (copy attached).

838. 129 Date of Annual Meeting of the Fire Authority – report of the Monitoring Officer (copy attached).

839. 2 Fire Authority and Panel Meetings

The Fire Authority is asked to confirm the following dates:

Fire Authority meetings at 10.30 hours unless otherwise stated:
18 June 2015 – please note change to previously agreed date
10 September 2015
10 December 2015
11 February 2016
16 June 2016

Panel Meetings

28 May 2015	Policy & Resources, Scrutiny & Audit
09 July 2015	Policy & Resources, Scrutiny & Audit
17 September 2015	Scrutiny & Audit
05 November 2015	Policy & Resources, Scrutiny & Audit
14 January 2016	Policy & Resources, Scrutiny & Audit
12 May 2016	Policy & Resources, Scrutiny & Audit

Commencement times for these Panels, to be notified in advance of the meetings, are generally likely to be Scrutiny & Audit 10.00 hours and Policy & Resources 11.00 hours.

C. Members' Seminars
Friday 13 March 2015
Tuesday 7 July 2015
Wednesday 7 October 2015

Commencement times to be 09.30 hours at Headquarters, unless otherwise notified.

840. 3 Exclusion of the Press and Public.

To consider whether, in view of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the remainder of the meeting on the grounds that, if the public and press were present, there would be disclosure to them of exempt information. **NOTE:** Any item appearing in the confidential part of the Agenda states in its heading the category under which the information disclosed in the report is confidential and therefore not available to the public. A list and description of the exempt categories are available for public inspection at East Sussex Fire & Rescue Service HQ, 20 Upperton Road, Eastbourne, and at Brighton and Hove Town Halls.

841. 131 Confidential minutes of the meeting held on 11 December 2014 (copy attached). (Exempt category under paragraphs 1 and 3 of the Local Government Act 1972).

842. - Sussex Control Centre – confidential oral report of the Chief Fire Officer & Chief Executive (copy attached). (Exempt category under paragraph 3 of the Local Government Act 1972).

ABRAHAM GHEBRE-GHIORGHIS
Monitoring Officer
East Sussex Fire Authority
c/o Brighton & Hove City Council

Agenda Item No. 831

EAST SUSSEX FIRE AUTHORITY

Minutes of the meeting of the East Sussex Fire Authority held at East Sussex Fire & Rescue Service Headquarters, 20 Upperton Road, Eastbourne at 10.30 hours on Thursday 11 December 2014.

Present: Councillors Barnes, Buchanan, Deane, Earl, Galley, Howson (Chairman), Lambert, Peltzer Dunn, Powell, Pragnell, Scott, Sheppard, Taylor, Theobald and Wincott.

Also present:
Mr. D. Prichard (Chief Fire Officer & Chief Executive), Mr. G. Ferrand (Assistant Chief Fire Officer), Mr. D. Savage (Treasurer), Miss. E. Woodley (Deputy Monitoring Officer) and Mrs. A. Bryen (Clerk).

814. **DISCLOSABLE PECUNIARY INTERESTS**

814.1 It was noted that, in relation to matters on the agenda, no participating Member had any disclosable pecuniary interest under Section 30 of the Localism Act 2011.

815. **APOLOGIES FOR ABSENCE**

815.1 Apologies for absence were received from Councillors Butler, Carden and Hawtree.

816. **URGENT ITEMS AND CHAIRMAN’S BUSINESS**

816.1 Newhaven Fire

816.1.1 The Chief Fire Officer & Chief Executive (CFO&CE) gave an oral update about the fire at Newhaven. The incident had lasted for 7 days, had been fought 24/7, involved other agencies, and included support from the high volume pump operators from Surrey FRS. This incident also covered a period of the firefighters’ strike, but there had been no issues arising from this. Valuable support had been given by the British Red Cross with volunteers providing hot food for the firefighters and other emergency services and partners dealing with the incident.

816.1.2 The Fire Authority recorded their gratitude to the British Red Cross and asked the CFO&CE to extend this in writing and further agreed that a donation be made to the BRC.

816.1.3 The CFO&CE advised Members that they would be informed of the costs of the incident when calculated, but he anticipated that it could have an impact on the budget for Retained Duty firefighters. Some equipment had been damaged at the incident, including the hydraulic hoses on the Aerial Rescue Pump damaged by radiated heat. The FRS was unable to recover costs from this incident as attendance had been a statutory duty, not a special service (which could be charged). Councillor Buchanan suggested that in view of the continued reduction in government grant funding, the Government be lobbied to allow FRSs to recover costs from insurers.

816.1.4 The CFO&CE assured Members that whilst crews and equipment had been committed to the incident at Newhaven, ESFRS would still have been able to provide responses to other incidents, and that mutual aid assistance from other FRSs would have been available to call upon.

817. **TO CONSIDER PUBLIC QUESTIONS, IF ANY**

817.1 The question set out below was received from Nancy Platts who was unable to attend the meeting. Therefore, in accordance with standing order 25.9, a written reply was sent to her following the meeting. The question and reply are set out in Appendix A to the minutes.

Question:
'Does the Chair support the statement made by ESFRS spokesperson regarding operational crews not having to wait for a second appliance to arrive before committing crews in breathing apparatus into a building to make rescues and extinguish fires?'

818. **TO CONSIDER PUBLIC PETITIONS, IF ANY**

818.1 There were none.

819. **NON-CONFIDENTIAL MINUTES OF THE MEETING HELD ON 11 SEPTEMBER 2014**

819.1 **RESOLVED** – That the non-confidential Minutes of the meeting held on 11 September 2014 be approved and signed by the Chairman. (Copy in Minute Book).

The Chief Fire Officer & Chief Executive reported that in respect of minute no. 797 – public questions, it had become apparent following the last meeting of the Fire Authority that there were errors in the reply that had been given to Nancy Platts. An apology had been given to Nancy Platts and a revised written answer was sent to her on 17 September 2014; this was reproduced in the Appendix to the minutes of 11 September 2014.

820. **CALLOVER**

820.1 Members reserved the following items for debate:

821. The Autumn Statement
822. The Fire Authority's Constitution
823. Member Allowances Scheme – Annual Review

821. THE AUTUMN STATEMENT

821.1 The Treasurer gave an overview of the Chancellor's autumn statement that had been issued on 3 December 2014 after the agenda for this meeting had been published.

821.2 To deliver the necessary reductions in spending, the Government would continue to pursue an ambitious package of efficiency and reform in the next Parliament. The Government was exploring a range of further reforms for the next Parliament to drive out waste and inefficiency and improve outcomes.

821.3 The Government would seek a further £10 billion of efficiency savings by 2017-18. This would be led by the Cabinet Office, working closely with HM Treasury and departments. In the Economic and Fiscal Outlook, the Office for Budget Responsibility said the Treasury's figures imply that 'roughly 40% of the total implied cut in day-to-day public services spending between 2009/10 and 2019/20 will have taken place over this Parliament, with roughly 60% to come in the next'. Public spending control was central to the Government's commitment to reducing the deficit.

821.4 No new announcements on council tax were made in the Autumn Statement. The local government finance settlement was expected on 17 December 2014, when the referendum threshold was expected to be announced. This would be reported to the Policy & Resources Panel in January 2015, and the Fire Authority in February 2015, to take into account when setting the Council tax precept.

821.5 The Government would continue to reform and take tough decisions on public sector pay while it continued to reduce the current budget deficit until 2017-18; it will assess the result of public sector pay bill control pilots in the next Spending Review. The Government will take further action to ensure the full costs of providing pensions for public service workers are met by employers. The autumn statement did not include an announcement about the employer's contribution rate for the Firefighters' Pension Scheme 2015.

821.6 It was announced that the Government would be reviewing the structure of business rates and would report by the 2016 Budget. Interim findings on the review of the administration of business rates would be published in December 2015. The small business rate relief would be doubled for a further year to provide 100% relief for 2015/16. The business rate increase will be capped at 2% for a further year.

821.7 The CFO&CE informed Members that the DCLG's budget had not been ring-fenced and, therefore, fire and rescue services would almost certainly have to contribute to the savings total with further reductions in grant, and a greater level of savings required. The Fire Authority's current Medium Term Finance Plan assumes that Council Tax will be increased by 1.94% each year over the next five years. The threshold that could trigger a referendum had still to be announced which may influence the level of Council tax precept that Members set.

821.8 The CFO&CE also informed Members that he had met with the Shadow Fire Minister, who had confirmed in her discussions with some staff that the Opposition's plans for the fire & rescue services did not include any increase in funding, but that alternative ways of running the Service were being explored.

821.9 The Fire Authority had recently submitted bids for capital funding to DCLG (to fund a joint facility at Newhaven fire station, works at Roedean and The Ridge Fire Stations to introduce Day Crewed Plus). None of these bids had been successful. The successful bids had included not only shared buildings/facilities, but also joint teams of staff delivering public services. Further consideration would be given to future bids with partner organisations. A further bid had been submitted jointly with the Surrey Emergency Services Transformation Programme, which had been successful. This bid relates to a potential Joint Transport Function.

821.10 The CFO&CE reminded the Fire Authority that the Policy & Resources Panel on 13 November 2014 had agreed to proceed with the development of a business case to relocate ESFRS headquarters to the Sussex Police HQ site in Lewes and the development of a disposal strategy for the current ESFRS HQ site. Sussex Police supported working together, and the integration of some services would achieve revenue savings. A full business case was being prepared and would be brought to the Policy & Resources Panel in 2015.

821.11 Councillor Scott asked the CFO&CE to arrange a further meeting with the Shadow Fire Minister to ask what effect the Opposition's proposals would have on the Service and what savings could be achieved from a single Fire & Rescue Service. He was disappointed that a merger with West Sussex FRS had failed but recognised that this would not achieve the savings required over the long term, however, regional FRSs or a single FRS possibly would.

821.12 The CFO&CE confirmed that he had offered to meet again with the Shadow Fire Minister but he had not yet had a response. Apart from ESFA there was no support from other FRSs to merge or to consider a regional Service.

821.13 Councillor Barnes felt that although a regional fire service was desirable and would save some frontline jobs, it would not achieve the overall savings required across all Fire & Rescue Services. National debt continued to rise annually. Whilst he favoured an ESFRS HQ move he cautioned about the costs involved and the predicted long term savings.

821.14 Councillor Wincott felt that a top down approach was needed from the Fire Minister to impose mergers or alternative organisational structures to achieve savings. He supported Member engagement with staff, acknowledging the need to not underestimate the level of savings required or to give false promises about job security.

821.15 **RESOLVED** – That the oral report be noted.

822. THE FIRE AUTHORITY'S CONSTITUTION

822.1 The Fire Authority considered a joint report of the Chief Fire Officer & Chief Executive, Monitoring Officer and the Treasurer that sought approval to a revised scheme of delegations, a rebranding of the Members' Handbook to 'The Constitution', and other amendments, to be brought into effect from the annual meeting of the Authority on 4 June 2015. (Copy in Minute Book).

822.2 The Deputy Monitoring Officer said that the current Members' Handbook brought together the Authority's constitutional documents including, amongst other things, standing orders, contract standing orders, financial regulations, the Members Code of Conduct and the Scheme of Delegations.

822.3 The Scrutiny & Audit Panel had considered the latest CIPFA guidance on the function and operation of audit committees and had recommended the Fire Authority to approve revised terms of reference for the Scrutiny & Audit Panel.

822.4 The Scheme of Delegated Functions had been streamlined and was submitted for Members' consideration and approval. The newly laid out constitution would include information and guidance for Members.

822.5 The Deputy Monitoring Officer informed Members that the Public Service Pensions Act 2013 required the Authority to establish a local Pension Board in relation to the Firefighters Pension Scheme, and further changes to the Constitution would be required to establish this by 1 April 2015.

822.6 Members discussed the substitution arrangements for those occasions when Members could not attend Fire Authority meetings. The Deputy Monitoring Officer advised Members that the Fire Authority could not dispense with the substitution arrangement as the Combination Order that established the Fire Authority provided for Members to be appointed from each constituent authority and this was on a political balance basis. The constituent authorities were not obliged to appoint a substitute but there may be occasions when Group Leaders wished this arrangement to apply. Members were reminded that where they could not attend a Panel meeting that they had been appointed to, a substitute could be appointed by the relevant Group Leader from amongst the members of their Group serving on the Fire Authority.

822.7 Members discussed the current quora for Panel meetings, and considered that a quorum of 2 was insufficient. It was proposed and agreed that the quorum for Panels be increased to three voting members to be introduced with immediate effect. The Deputy Monitoring Officer explained that the report proposed that the political balance requirements should be disapplied to the Principal Officer Appointments Panel so allowing each political group to be represented on the Panel, including the Chairman of the Fire Authority. Members agreed this approach.

822.8 Members considered that they should not have a role in monitoring the Member Allowances Scheme, and felt that the Independent Remuneration Advisory Group (IRAG) should carry out annual reviews. The Deputy Monitoring Officer said that the current Scheme provided for an annual uprating to be applied to Members' basic and special responsibility allowances using the headline increase applied for Local Government Support (LGS) staff. The IRAG was appointed to carry out an independent review every four years, and, in between time, the Policy & Resources Panel was tasked with keeping the Scheme under review. Officers monitored other local authority and Fire & Rescue Services' schemes to ensure consistency.

822.9 Members felt that it would be too soon to bring a further report reviewing the new Constitution to Members in January 2016. The Deputy Monitoring Officer clarified that this review would be carried out by Officers and only significant issues would be brought to Members for consideration.

822.10 **RESOLVED** – That

(i) the revised terms of reference for the Scrutiny & Audit Panel be approved;

(ii) the quorum for Panels be amended to 3 voting members with immediate effect;

(iii) the Constitution be approved to be brought into effect from the next annual meeting of the Authority, including:

- (a) the authority to decide sick pay appeals being removed from the Urgency Panel and included in the Human Resources Panel terms of reference;
- (b) the political balance requirements (sections 15 and 16 of the Local Government Act 1989) shall not apply to the Principal Officer Appointment Panel or the Standards Hearing Panel;

(iv) the Chief Fire Officer & Chief Executive and the Monitoring Officer be authorised to make any minor consequential amendments as necessary; and

(v) It be noted that the next officer led review will be carried out in early 2016.

823. <u>MEMBER ALLOWANCES SCHEME – ANNUAL REVIEW</u>

823.1 The Fire Authority considered a joint report of the Chief Fire Officer & Chief Executive, the Monitoring Officer and the Treasurer that asked Members to consider the annual review of the Member Allowances Scheme. (Copy in Minute Book).

823.2 Following an independent review, the Fire Authority (on 12 September 2013), had approved a Member Allowances Scheme which was implemented on 1 April 2014 to remain in place until 2017/18. The Scheme stated that the rates for basic and special responsibility allowances shall be upgraded for the years 2015/16, 2016/17, and 2017/18 by using the national headline increase applied to Local Government Support (LGS) staff, to take effect from 1 April based on the previous year's national pay award.

823.3 The Fire Authority was advised that there had been a 2.2% pay award for all LGS (Green Book) staff earning over £14,800 to cover the period 1 January 2015 to 31 March 2016. Grey Book and Gold Book staff had been awarded 1% on 2014/15. On that basis a 1% increase in Members' basic and special responsibility allowance was considered appropriate and Members agreed this would satisfy the requirements of the approved current Member Allowances Scheme.

823.4 **RESOLVED** – That

i) a 1% increase be applied to the rates of basic and special responsibility allowances with effect from 1 April 2015; and

ii) it be noted that the Chief Fire Officer & Chief Executive has authority under the Member Allowances Scheme to keep travel and subsistence rates under review and upgrade them.

824. **<u>EXCLUSION OF PRESS AND PUBLIC</u>**

824.1 **RESOLVED** – That the following item be exempt under the paragraphs indicated of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 and accordingly is not open for public inspection on the grounds that it includes information relating to an individual and information relating to the financial or business affairs of any particular person (including the authority holding that information).

Item 825 Paragraphs 1 and 3

The meeting concluded at 12:42 hours.

Signed Chairman

Dated this 12th day of February 2015.

PUBLIC QUESTION RECEIVED FROM NANCY PLATTS:

Does the Chair support the statement made by ESFRS spokesperson regarding operational crews not having to wait for a second appliance to arrive before committing crews in breathing apparatus into a building to make rescues and extinguish fires?

Reply:

Thank you for your question. As this is an operational matter I have requested a response from the Chief Fire Officer and Chief Executive. He has advised as follows:-

"The safety of our staff is of upmost importance to us. We invest a substantial part of the annual budget on training and the provision of equipment to ensure that we are best prepared to deal with a wide range of incidents and to make the appropriate decisions when faced with individuals who need rescuing.

For all life threatening incidents we send a minimum of eight firefighters who are supplemented by an additional fire engine to "persons reported" fires – fires where we believe that people are unaccounted for.

It is widely accepted and recognised that firefighters can be faced with difficult dilemmas, having to make decisions in what are sometimes extremely hazardous, emotionally charged during fast moving situations. At any incident the officer in charge of the first crew on the scene will assess the dangers and risks to both members of the public and firefighters.

National operational guidance for the fire and rescue service recognises that officers may make a very difficult decision to deploy firefighters wearing breathing apparatus where the resources they have are only those available to them on the first appliance. However, where there exists an opportunity to preserve life or take action that will prevent an incident deteriorating the Incident Commander may make that decision taking into account the location of the additional resources that have been mobilised in accordance with our policies.

We expect that this procedure is not often applied and is in exceptional circumstances.

National Guidance states:

"Initial/rapid deployment of BA (breathing apparatus) may be used where the resources available are limited at the time of arrival to deliver the full operational plan, but where there exists an opportunity to preserve life or take action that will prevent an incident deteriorating if the Incident Commander were to wait for additional resources.

Initial/rapid deployment will only be undertaken on the instructions of the Incident Commander following a suitable calculated assessment of the risks versus the likely benefits."

I have nothing to add.

Agenda Item No. 833 Part A

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title:	**Draft Annual Plan 2015/16**
By:	**Chief Fire Officer & Chief Executive**
Purpose of Report:	**To summarise the outstanding actions required to complete the Draft Annual Plan 2015/16 for approval and for final completion by the publication date of 30 June 2015.**

RECOMMENDATION: The Fire Authority is asked to:

i. approve, in principle, the roll forward of the draft Annual Plan for publication by 30 June 2015, subject to any final amendments once the Revenue Budget has been approved at this meeting and other outstanding information set out in the report; and

ii. delegate authority for the approval of the final version of the Annual Plan to the Chief Fire Officer & Chief Executive in consultation with the Chairman.

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1. INTRODUCTION

1.1 The current 2014/15 Annual Plan contains key information on the Fire Authority's Service priorities for the year ahead including summary performance information and available resources.

1.2 The draft 2015/16 Annual Plan is prepared alongside the decisions being made by the Fire Authority and its Panels on similar issues for 2015/16 and beyond.

1.3 The Fire Authority, at its meeting on 11 December 2014, considered the key Service priorities and savings to meet the overall resources available to the Fire Authority, but deferred final consideration on the Council Tax precept until the February 2015 meeting.

1.4 The final version of the draft 2015/16 Annual Plan will be adapted to take into consideration the outcomes of all of the 2015/16 Service Planning decisions, including current Community Risk Management review activities, the latest Revenue Budget and Capital Programme as well as the outcome of the corporate performance results 2014/15.

1.5 As agreed in previous years, the Fire Authority is asked to delegate authority for the approval of the final version of the Annual Plan to the Chief Fire Officer & Chief Executive, in consultation with the Chairman, prior to publication.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
28 January 2015

Background Papers
Minutes of the Fire Authority December 2014; and Minutes of the P&R and S&A Panels November 2014 and January 2015

Agenda Item No. 833B

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title:	**Fire Authority Service Planning processes for 2015/16 and beyond – Revenue Budget 2015/16 and Capital Programme 2015/16 to 2019/20**
By:	**Chief Fire Officer & Chief Executive and Treasurer**
Purpose of Report:	**To consider and approve the 2015/16 Fire Authority Revenue Budget and Capital Programme.**

RECOMMENDATION: The Fire Authority is recommended either to:

1. approve an increase in Council Tax of 1.94% (Option A) and as a result approve:
   (i) the budget proposals set out in this Report and the net budget requirement of £38.627m for 2015/16;
   (ii) the Council Tax requirement of £23.170m; and
   (iii) the Council Tax and precepts as set out in Appendix G, part 1;

or

2. approve the acceptance of the Council Tax Freeze Grant for 2015/16 (Option B) and as a result approve:
   (i) the budget proposals set out in this Report and the net budget requirement of £38.445m for 2015/16;
   (ii) the Council Tax requirement of £22.729m; and
   (iii) the Council Tax and precepts as set out in Appendix G, part 2;

and is also recommended to approve:

3. the capital programme for the next five years and the capital budget of £5.855m for 2015/16 and the plans to use capital grant, capital receipts and revenue contributions to finance that expenditure;
4. the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;
5. the transfer £95,000 from Earmarked Reserves no longer required into the Improvement & Efficiency Reserve;
6. the transfer of the projected revenue underspend of £0.132m for 2014/15 to the Capital Programme Reserve; and
7. the fees and charges set out in Appendix D;

and is recommended to:

8. authorise the CFO&CE, in consultation with the Chairman and Treasurer, to make adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.

MAIN ISSUES

1. An initial report on the draft Revenue Budget 2015/16 and Capital Programme 2015/16 – 2019/20 was considered by Members of the Policy & Resources Panel at their meeting on 15 January 2015. Subsequent to that meeting the following additional financial information has been incorporated into the final budget proposals:

   - Council Tax and Business Rates bases
   - Collection Fund surpluses for Council Tax and Business Rates
   - Revised estimates of income from the Business Rate Pool

   Local Government Finance Settlement (LGFS) will not be finalised until the Local Government Finance Report (England) 2015/16 has been approved by Parliament.

2. The Authority has made good progress in identifying and agreeing savings proposals over the last 12 months, through its Changing the Service, Shaping our Future programme. When pre-existing programmes and other non-operational savings are taken into account the Authority has already identified £5.7m of savings for delivery by 2019/20. Depending on decisions on Council Tax, the Authority will still need to find up to another £1.7m of savings over that period. Options for changes to operational and non-operational services (phase 3) that are expected to deliver additional savings will be presented to the Authority to consider over the next 12-18 months.

3. Whilst the Medium Term Financial Plan is indicative at this stage, especially for the latter 4 years of the planning period, and will be subject to revision as better information becomes available, especially after the national election and the subsequent comprehensive spending review, the scale of the savings required must continue to be a key driver for our future financial and Service planning.

4. The Fire Authority is statutorily required to set its precept for 2015/16 before 1 March 2015.

   The report presents two options to the Authority, either: A) to increase the Council Tax by 1.94% taking the Band D charge to £85.07 and generating additional income of £0.441m in 2015/16; or B) to accept the 2015/16 Council Tax Freeze Grant of £0.259m and to maintain the Council Tax Band D at £83.45 for the second year in a row. .

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE

Duncan Savage
TREASURER

2 February 2015

1. INTRODUCTION

1.1 The report sets out the proposed Revenue Budget for 2015/16, a medium term view of Service planning and resourcing as well as the proposed Capital Programme for the Fire Authority for the period 2015/16 to 2019/20.

1.2 This report sets out two scenarios for Members to consider:

(i) Option A, increasing Council Tax by 1.94% – this would involve setting a net budget requirement of up to £38.627m, a Council Tax Requirement of £23.170m and increasing Band D Council Tax to £85.07; or

(ii) Option B, accepting the Council Tax Freeze Grant in 2015/16 – this would involve setting a net budget requirement of £38.445m, a Council Tax requirement of £22.729m and maintaining Band D Council Tax at £83.45 i.e. 0% increase on 2014/15

1.3 The proposed Revenue Budget and MTFP reflect the continuing and sustained reductions in funding for public services as the Government seeks to reduce the national deficit and the expectation that these reductions will continue at the same level, whatever the outcome of the national elections in May 2015, until at least 2020.

1.4 The Authority has made good progress in identifying and agreeing savings proposals over the last 12 months, through its Changing the Service, Shaping our Future programme. The latest version of the MTFP takes into account the rolling forward of the Plan to include 2019/20, Phase 2 savings proposals approved in June 2014, budget pressures and other changes to spending plans and the provisional LGFS. Taken together these show that the Authority has already identified £5.7m of savings for delivery by 2019/20, but will still need to find up to another £1.7m of savings over that period depending on decisions on Council Tax. Whilst these figures are indicative at this stage, especially for the latter 4 years of the period, and will be subject to revision as better information becomes available, especially after the national election and the subsequent comprehensive spending review, they must continue to drive our future financial and Service planning.

1.5 There remain a number of uncertainties for funding in 2015/16 and beyond and the Fire Authority will need to remain flexible in its approach to its financial planning, especially in advance of the next Spending Review which is expected to follow the national elections in May 2015. Our current assumptions are based on the most up to date information we have available. The late announcement of key financial information through both the Autumn Statement and the Local Government Finance Settlement (LGFS) continues to hamper effective and timely planning and reporting.

2. ECONOMIC OUTLOOK

2.1 The general state of the economy is an important factor in setting the Fire Authority's revenue budget and MTFP over the next 5 years. The UK economy has continued to show positive growth during 2014 with economic output reaching its pre-crisis peak in July and the Office for Budget Responsibility (OBR) revising its forecast for Gross Domestic Product (GDP) growth upwards from 2.7% to 3.0% and up from 2.3% to 2.4% in 2015/16. In the medium term GDP forecasts are down slightly at between 2.2 and 2.4% through to 2019/20. The OBR also predicts that unemployment will continue to fall to 5.3% over the same period. Meaningful real wage growth is expected to resume in 2015, although it will not reach its pre-crisis level within the next five years. The timing and strength of the return to sustained productivity growth remains uncertain. Commentators remain divided over the underlying sustainability of the recovery over the medium term. Equally the strength of the recovery remains dependent on US and EU GDP growth which remains weak.

2.2 Despite the policy of austerity from the Coalition Government, designed to address the deficit position, public sector debt continues to grow to record levels. The Autumn Statement forecast the need for additional borrowing in 2014/15 and 2015/16 and the OBR expects Public Sector Net Debt to peak at £1.65tn in 2018/19.

2.3 Despite the generally more positive news for the UK economy there is unlikely to be any respite for the public sector whatever the outcome of the national elections in May 2015 with all the main political parties acknowledging that funding reductions will need to continue over the life of the next Parliament.

2.4 The official bank interest rate remains low at 0.5% and most commentators expect to see small but sustained increases from mid-2015.

2.5 Consumer Price Inflation (CPI) fell to 1.0% in October 2014 and subsequently to 0.5% and the OBR expects it to remain below the 2% target through to 2017 and remain on target to 2019. The Retail Price Index (RPI) for the same period stood at 2.3% and is expected to drop slightly in 2015/16 and then rise to 3.6% by 2019/20. This is consistent with the Bank of England's own forecasts.

3. NATIONAL FUNDING

3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from three main sources: Council Tax ; Government grants (both revenue support grant and top up grant); and a share of locally retained Business Rates. As a result of the Local Government Resource Review and subsequent legislation there were significant changes to these sources of funding for 2013/14 which aimed to provide more flexibility at a local level in the way money was spent and more control over how it was collected and grown. No major changes to this system are proposed by Government for 2015/16.

3.2 Nationally the trend for later announcements of key finance information for local government has continued. The Chancellor's Autumn Statement was announced on 3 December and the Local Government Finance Settlement (LGFS) was announced on a provisional basis on 18 December 2014 and the consultation period closed on 15 January 2015.

3.3 The Local Government Finance Report (England) 2015/16 has now been laid before Parliament and is due to be debated in mid-February when, if approved, the LGFS will become final. It is recommended that power is delegated to the Chief Fire Officer & Chief Executive, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of Council Tax.

3.4 Our budget modelling and the medium term financial plan have been updated to reflect the provisional LGFS as currently understood for 2015/16. For 2016/17 and beyond, we have based our assumptions on various models and announcements from Department of Communities and Local Government (DCLG) and information other bodies such as the Local Government Association, and Local Government Futures along with other professional and sector groups. This allows us to take an initial view of the funding position, but it should be noted that the funding position for these latter 4 years of the MTFP will be affected by the national elections in May 2015, the subsequent Spending Review and the extent to which the current economic recovery continues.

3.5 The Chancellor's Autumn Statement confirmed that local services would not face additional cuts in 2015/16. However there was a clear commitment to seek further reductions in public spending in the next parliament and the Office for Budget Responsibility's view is that based on the Treasury's figures roughly 40% of the total implied cut in day-to-day public services spending between 2009/10 and 2019/20 will have taken place in this Parliament, with roughly 60% to come in the next. The planned increase in business rates for 2014/15 which had been expected to be based on the September Retail Price Index (RPI) inflation figure of 2.3% was capped at 2.0% and a series of other measures aimed at reducing the cost of Business Rates to small businesses was announced. Government subsequently committed to compensate local authorities for any reduction in Business Rates income they experienced as a result.

3.6 The LGFS gave provisional funding figures for 2015/16. It confirmed that Council Tax Freeze Grant of 1% per annum would be offered for 2015/16 and would be built into the spending review baseline thereby avoiding a funding cliff edge in 2016/17 for those authorities that accept the freeze grants. The LGFS also confirmed that compensation in relation to the capping of the small business rates multiplier would be paid via a Section 31 grant and set out the indicative amount that each authority would receive.

3.7 There is a cost to the Authority in accepting the Council Tax Freeze Grant at 1% as opposed to adopting an increase in Council Tax at 1.94%, as previously factored into the MTFP model. In 2015/16 this is calculated as £0.182m rising to £0.315m by 2019/20.

3.8 As part of the 2011 Localism Act, Council Tax capping in England has been abolished and has been replaced by new powers for residents to approve or veto excessive Council Tax increases through a local referendum. If the residents vote against the increase, the local authority will have to revert to a Council Tax level that is compliant with the Government's threshold.

3.9 The provisional LGFS confirmed that any council proposing an increase of 2% or more will need to allow local people the opportunity to approve or veto the increase in a referendum.

3.10 Any decision to trigger a referendum would incur a significant cost in actually carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling.

4. MEDIUM TERM FINANCIAL STRATEGY

4.1 The Medium Term Financial Plan (Appendix A) reflects the impact of the provisional LGFS for 2015/16 and the latest information on business rates and council tax. For the period from 2016/17 there is less certainty on funding with a national election in May 2015 and uncertainty about economic performance in the medium term. However, it seems likely that the continued downward pressure on funding for public services will continue at least until 2020.

4.2 The MTFP reflects our initial modelling of these factors and includes the following key assumptions:

- a 10% reduction in Government funding, including specific grants, each year from 2015/16;
- Growth in Council Tax base of 0.4% p.a.;
- No assumption of growth in Business Rates base other than the impact of the annual uprating by the RPI multiplier;
- Increases of 1.94% in Council Tax each year from 2015/16 onwards;
- Provision for pay increases of 1% in 2015/16 and 1.5% from 2016/17 and 2% in 2019/20;
- Provision for price increases of 2.5% each year;
- Delivery of savings in line with agreed plans.

The MTFP now forecasts a net expenditure reduction of 0.4% to 2015/16, 3.2% to 2016/17, 1.6% to 2017/18 and subsequent increases of 0.2% to 2018/19 and 1.9% to 2019/20. This takes account of future provisions for increases in pay and prices, agreed savings, the factors described in paragraph 6.4 and it indicates the shortfall that will be required to be met from further savings to ensure that expenditure matches available grant, business rates and council tax income. This future savings target will also be dependent on decisions that the Authority takes with regard to Council Tax increases, but in summary, it indicates a requirement to make further savings of up to £1.363m by 2019/20 with Option A, rejecting the freeze grant (£1.677m with Option B).

5. PROJECTED REVENUE POSITION 2014/15

5.1 The Authority has a revenue budget of £38.775m for the financial year 2014/15. Based on figures to the end of November 2014 the revenue budget is forecast to underspend by £132,000.

5.2 It is recommended that any forecast revenue underspend that is not required to be carried forward for specific purposes is transferred to the Capital Programme Reserve to support the funding of the Authority's Capital Programme in the light of the cessation of directly allocated capital grant after 2014/15.

6. **REVENUE BUDGET 2015/16**

6.1 Impact of national funding changes on local position

6.1.1 The Revenue Budget Summary for 2015/16 and the MTFP have been updated to reflect the provisional funding announced in the LGFS and the final position advised by the billing authorities on Council Tax base, Business Rates base and Collection Fund surpluses and deficits. The impact of the LGFS for 2015/16 and a comparison with figures previously modelled and reported to the Fire Authority is set out below in Table 1.

6.1.2 In summary, the impact of the provisional LGFS is a reduction in resources in 2015/16 of £0.040m against that previously modelled. This is due to lower than expected grant support (£0.040m) of which £0.032m relates to a reduction in funding to reflect a reduction in DCLG's assessment of employer's pension contributions in 2015/16. The impact of changes to the Top Up grant and Locally Retained Business Rates as a result of the lower than anticipated level of RPI (2.3% vs. 2.9%) has been balanced by a low level of underlying growth in Business Rates. The impact of the 2% cap on the Business Rates RPI multiplier at 2% and rate relief measures is compensated for by a Section 31 grant of £0.276m. The income expected from the locally retained element of Business Rates has been updated to reflect the NNDR1 returns submitted by billing authorities to DCLG on 31 January 2015.

6.1.3 Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Authority agreed to participate in the East Sussex Business Rate Pool and the submission has been approved by DCLG. Based on the most recent estimates the Authority expects to receive additional funding of £0.226m from its participation in the Pool but the position will need to be monitored during the year and is dependent on the actual level of business rate income. This additional funding is being treated as a one off in 2015/16 and has been added to the revenue budget. Under the terms of the Pooling agreement this funding must be used to support the economic regeneration of East Sussex. Officers are currently developing proposals for this.

Table 1 – Summary of Impact of Local Government Finance Settlement

	2015/16 £'000
Locally Retained Business Rates	2,561
Top Up Grant	4,729
Business Rates Baseline	7,290
Revenue Support Grant	7,514
Settlement Funding Assessment	**14,804**
Estimated value of Business Rates Pool included above	(226)
Settlement Funding Assessment Adjustment	276
Total for comparative purposes	**14,854**
As reported to Policy & Resources September 2014	14,894
Increase/(decrease) in funding	**(40)**

Assumes rejection of CT Freeze Grant for comparative purposes.

Locally Retained Business Rates includes the impact of the Business Rates Pool.

6.1.4 Since the localisation of Council Tax Support Grant in 2013/14, billing authorities have been required to approve their own local Council Tax Reduction Schemes (LCTRS). Initially these schemes set out to recover the 10% reduction in national funding by reducing support for certain council taxpayers, alongside changes to existing discounts and exemptions. Brighton and Hove City Council has approved changes to its LCTRS for 2015/16 which contributes to a forecast increase in its Council Tax base of 2.8%. The East Sussex boroughs and districts are reviewing their scheme for 2016/17.

6.1.5 The Authority's Council Tax Base is calculated as 272,366.01, an increase of 1.89% on 2014/15 (267,300.78). If the Authority were to increase its Council Tax as currently modelled by 1.94% this would provide income of £23.170m compared to £22.807m previously modelled. If the Authority were to accept the 1% Council Tax Freeze Grant then based on the indicative figure of £259,000 set out in the provisional LGFS the total income from Council Tax (including freeze grant) would be £22.988m (£0.182m lower than the 1.94% increase).

6.1.6 The billing authorities have confirmed that there will be a surplus of £0.334m on the Council Tax Collection Fund for distribution in 2014/15. There will also be a surplus on the Business Rates Collection fund of £0.043m. Members should note that any collection fund surplus is a one off benefit only.

6.1.7 The latest resource position is reflected in the Revenue Budget Summary and the MTFP, however, the net movement in resources since the last report to Members is summarised below in Table 2.

Table 2 – Movement in Resources

	2015/16 Latest position £'000	2015/16 Policy & Resources September 2014 £'000	Increase / (Decrease) £'000
Locally Retained Business Rates	2,561	2,499	62
Business Rates Top up	4,729	4,768	(39)
Business Rates Baseline	7,290	7,267	23
Revenue Support Grant	7,514	7,554	(40)
Settlement funding assessment	**14,804**	**14,821**	**(17)**
Council Tax Collection Fund Surplus / (Deficit)	334	0	334
Business Rates Collection Fund Surplus / (Deficit)	43	0	43
Section 31 grant Business Rates adjustment	276	73	203
Total Funding	**15,457**	**14,894**	**563**
Council Tax Options			
Option A – 1.94% increase			
Council Tax Requirement	23,170	22,807	363
Total Resources – Option A	**38,627**	**37,701**	**926**
Option B – Accept Freeze Grant			
Council Tax Requirement	22,729	22,373	356
Council Tax Freeze Grant	259	253	6
Sub total	22,988	22,626	362
Total Resources – Option B	**38,445**	**37,520**	**925**

6.2 **Overview of current budget proposals**

6.2.1 The Budget Strategy of the Fire Authority is to support the following policy priorities:

(i) to fulfil the Fire Authority's statutory duties as a legally separate authority

(ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability

(iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate

(iv) to further develop and implement an Integrated Risk Management approach to our Strategic Plans and services to local communities

(v) to identify sufficient savings over the medium term to ensure it has a balanced budget and sustainable medium term finance plan in the light of expected reductions in public sector funding

6.2.2 The Authority identified a funding gap of £7.1m in July 2013 and subsequently embarked on a phased programme called ‘Changing the Service, Shaping our Future’ to identify and evaluate savings proposals. The Authority has since approved the programme’s phase 1 and phase 2 proposals along with a range of non-operational savings and together with changes in funding these reduced the funding gap to £0.8m. Following the latest update of the MTFP to 2019/20 the funding gap stands at up to £1.7m depending on decisions on Council Tax.

6.2.3 Given the scale of the changes required to deliver the Changing the Service, Shaping our Future programme and importance of delivering the resulting savings proposals the Authority has approved the establishment of a Service Transformation Team. This team will be responsible for leading the delivery of the programme; developing detailed implementation plans for phase 1 and 2 proposals already agreed and taking forward the reviews in phase 3.

6.2.4 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves & Balances. For 2015/16, the Government is once again offering a Council Tax Freeze Grant to compensate for a loss of council tax income, equivalent to an increase of 1% (using the Council Tax Base unadjusted for the LCTS grant scheme) if accepted by local authorities. Should any local authorities decide to increase council tax and reject the offer of freeze grant, they will only be able to increase council tax by certain percentage before triggering a referendum. The LGFS confirmed the 2015/16 Referendum threshold as 2%.

6.2.5 The most recent public consultation, carried out by the Authority in 2012/13, concluded that there was a clear indication that consultees understood the medium term benefit of rejecting the Council Tax Freeze Grant and supported the option of an increase in Council Tax below 2%. However, if the Fire Authority still considers it appropriate to accept the Council Tax Freeze Grant (to peg council tax at £83.45 rather than increase it by up to £1.62 per year for a Band D council taxpayer), then additional savings would need to be made over the period of the MTFP.

6.2.6 The 2015/16 Revenue Budget has been prepared against a background of continued reductions in funding for public services as part of the Government’s continuing deficit reduction strategy. The provisional settlement for 2015/16 is marginally lower than anticipated but resources from Council Tax and Business Rates are greater than originally modelled. The Authority has also identified and approved savings of £2.939m in 2015/16 (which will grow to £5.677m by 2019/20).

6.2.7 Taken together, this means that in the short term there is some additional flexibility which allows the Authority to address the impact of the change in capital grant funding and the capital impact of phase 2 savings proposals (primarily the projected £1.855m capital cost of providing Day Crewed Plus accommodation at the Ridge and Roedean) by providing additional revenue funding for capital of £1.034m in 2015/16 and a further £1.324m in the following two years. However, the Authority must take decisions on the 2015/16 budget in the knowledge that significant further savings of up to £1.7m will need to be found in future years. Further details of the proposed draft revenue budget and capital programme are set out from paragraph 6.4 onwards.

6.3 **Consultation**

6.3.1 Extensive public consultation was carried out in 2012/13 as part of the review of the Medium Term Plan and Integrated Risk Management Plan 2013/14 – 2017/18 which included coverage of Council Tax and value for money. Summary outcomes from the independently managed 2012/13 consultation in relation to finance are set out below:

- More than four fifths (83%) of residents agreed that the current council tax charge (£81.86 per year for a Band D property) for the Fire and Rescue Service provides good value for money; 3% disagreed.

- Two fifths (40%) of residents thought that the Service should accept the Government's freeze grant offer and not increase its Council Tax in 2013/14, knowing that cuts would have to be made in 2015/16 and beyond to compensate for the loss of grant; 60% thought that the Service should not accept the Government's freeze grant offer.

- But, when asked to consider the longer term impacts on budgets, more than 9 in 10 (92%) residents thought that the Service should reject the Government's offer, and still increase Council Tax so that it helps to fund fire and services in future years when the grant ceases; 8% thought that the Service should not reject the offer.

- Just over two fifths (42%) of residents who are council tax bill payers said that they would support an increase of approximately 81p or less per year per household.

- However, when asked if they would still support a higher increase, almost three fifths (58%) of residents who are council tax bill payers said that they would support an increase of approximately £1.60 or less per year per household.

6.3.2 The Authority's savings proposals have been developed in line with the above outcomes of the 2012/13 public consultation which expressed a preference for savings to be found through changes to differing crewing arrangements rather than reductions in appliances or fire stations. Full public consultation was carried out prior to the consideration and approval of Phase 2 proposals in June 2014 and further consultation will be carried out as necessary for Phase 3.

6.3.3 The representative bodies including the Fire Brigades' Union, the Fire Officers' Association, the Retained Firefighters' Union and UNISON have been briefed on the 2015/16 Revenue Budget proposals. Staff and business representative bodies and local authorities were asked to comment on the draft Revenue Budget proposals and responses received are included in full in Appendix I.

6.4 Basis of Estimates

6.4.1 2015/16 estimates have been prepared on the following basis:

- provision for pay inflation has been restricted to 1% in 2015/16 in line with the Government's intention to restrict public sector pay set out in the Autumn Statement
- To update other costs to take account of inflation to estimated 2015/16 outturn prices at 2.5%.
- To include both increases and decreases resulting from the introduction of or removal of commitments flowing from strategic decision making, for example the Information Management Department Strategy, the expected impact of the introduction of the Modified Pension Scheme for RDS employees, expenditure on projects funded by the additional income from Business Rate Pooling and additional revenue funding to support the Capital programme in the light of the change in capital grant funding.
- The re-basing of the Maritime budget, subject to the approval elsewhere on this agenda of officer's recommendations to continue provision at a reduced level.
- The inclusion of Phase 2 savings proposals for 2015/16 previously approved by the Authority in June 2014

6.4.2 The impact of these assumptions on the 2015/16 Revenue Budget is shown below in Table 3. Further detail of savings is shown in table 5 (below) and Appendix C.

Table 3 - Summary of Net Budget Requirement (Option A)

	£'000	**Change %**
Net Budget Requirement 2014/15	**38,775**	
Pay inflation	192	0.5%
Non pay inflation	210	0.5%
Changes in capital financing	(4)	(0.0%)
Commitments: see Table 4	477	1.2%
Savings: see Table 5	(1,023)	(2.6)
Net Budget Requirement 2015/16	**38,627**	**(0.4%)**

Should the Authority accept the Council Tax freeze grant for 2015/16 (Option B) the budget commitments will change to £295,000 and the NBR to £38.445m. See Table 4 for more detail.

6.5 Fees and Charges

6.5.1 The existing policy is for fees and charges to be reviewed not less than once a year and that increases should take into account the cost of providing the service, including the effects of inflation.

6.5.2 Appendix D gives details of increases in fees and charges for Fire & Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect nationally agreed increases in pay and the overall level of provision for inflation generally, it is proposed to increase fees and charges by 2.5% in 2015/16.

6.5.3 The Localism Act introduced by the Government allows FRAs to introduce other fees and charges subject to local consultation and this includes being able to charge for false alarm calls from persistent offenders.

6.5.4 Officers have investigated the opportunities to make charges and have reviewed false alarms policy and activity as well as quantifying potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged. Of these, animal rescue and lift rescue are being considered as part of the savings proposals and Members will be advised of the outcome of this work at a future meeting.

6.5.5 In the 2015/16 budget the fees and charges listed in Appendix D amount to £130,000, the remainder of the income budget is mainly income from West Sussex County Council for the Sussex Control Centre.

6.5.6 The Fire Authority will be kept informed of progress as part of the savings proposals and Service Transformation Team reviews.

6.6 Main Variations

6.6.1 The changes in commitments leading to increased or decreased provision are shown in Table 4 below:

Table 4 - Budget Commitments

Commitments	**£'000**
Reduction in Firefighter Pension costs based on Pension account return	(26)
Reduction in Ill Health Retirement Budget	(18)
Additional flexibility in operational budget during crewing changes (1 year only)	107
Fleet Asset Strategy net change	(29)
Existing IMD strategy net change	(182)
IMD Transformation projects	200
Reduction in contribution to Improvement and Efficiency Reserve	(519)
Increase in Local Government Pension contribution to reflect triennial valuation	22
Reduction of one off Norman vs Cheshire contributions	(540)
Increase in pension contribution for the Firefighter Modified Pension Scheme	233
Adjust specific grants in line with 2013 Provisional settlement	(1)
Increase in Bank interest received	(23)
One off projects funded by BR Pool income (one year only)	226
Loss of CFOA income	38
Rebasing of Maritime budget	16
Pension advice contract	19
Procurement Resource (one year only)	37
Emergency Services Mobile Communication Project Resource	30
Capital Expenditure from Revenue account	1,087
Sprinklers - one off funding removed from the base	(200)
	477

Should the Authority accept the Council Tax freeze grant for 2015/16 (Option B) the budget commitments will change to £295,000 and the NBR to £38.445m.

6.7 Savings Plan

6.7.1 Given the scale of the funding gap that the Authority faced from 2014/15 it agreed to fundamentally review all of its services, including Prevention, Protection and Response. This programme, which we have called ‘Changing the Service, Shaping our Future’, is set out over three phases, and the Authority has already approved a range of proposals as part of Phases 1 and 2 which we anticipate will deliver savings of £2.495m by 2019/20 (this is £0.297m less than originally estimated dues to changes in the way in which the proposals are planned to be implemented). When taken together with savings identified from non-operational services of £1.802m, the existing Facing the Challenge process and Sussex Control Centre these initiatives are expected to deliver £3.046m in 2015/16 and £5.677m by 2019/20. Non-operational savings expected to be achieved through further collaboration with West Sussex Fire and Rescue Service on training (£0.052m in 2015/16 and then £0.103m) have been deleted as these plans are no longer going ahead.

6.7.2 Depending on the decisions that the Authority takes on Council Tax we expect that further savings of up to £1.7m will need to be identified through our Phase 3 reviews and proposals will be reported to the Authority during 2015/16. The financial situation means that difficult decisions will need to continue to be made – there is no choice but to change the way in which the Authority delivers its services

6.7.3 The Authority has previously agreed to the savings from the establishment of the Sussex Control Centre, a single mobilising and control centre for fire & rescue in Sussex in collaboration with West Sussex Fire & Rescue. The annual savings from the Project remain at £0.475m and these are expected to be delivered in full in 2015/16 following a delay in implementation during 2014/15.

6.7.4 All these savings are summarised in the Table 5 and have now been included in the Revenue Budget. A full listing is included in Appendix C.

Table 5 – Summary of Savings - cumulative

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Total Facing the Challenge Savings	(419)	(419)	(494)	(567)	(567)	(567)
Sussex Control Centre Savings	(316)	(474)	(474)	(474)	(474)	(474)
Total Deferred Savings	(339)	(339)	(339)	(339)	(339)	(339)
Total approved for 2015/16 budget	**(1,074)**	**(1,232)**	**(1,307)**	**(1,380)**	**(1,380)**	**(1,380)**
Total Phase 1 Savings	(219)	(893)	(1,065)	(1,065)	(1,065)	(1,065)
Total Phase 2 Savings	0	(107)	(1,430)	(1,430)	(1,430)	(1,430)
Total Additional non-Operational Savings	0	(74)	(74)	(74)	(74)	(74)
Total non-Operational Savings	(730)	(740)	(1,179)	(1,555)	(1,728)	(1,728)
Total savings	**(2,023)**	**(3,046)**	**(5,055)**	**(5,504)**	**(5,677)**	**(5,677)**

6.8 **Revenue Budget Summary**

6.8.1 Table 6 below summarises the two Options presented for the 2015/16 Original Estimate compared with that for 2014/15.

Table 6 - Revenue Budget

	2014/15 Original Estimate	2015/16 Option A Estimate	2015/16 Option B Estimate
	£'000	£'000	£'000
Net budget requirement	38,775	38,627	38,445
Sources of funding	38,775	38,627	38,445
Surplus	**0**	**0**	**0**

6.8.2 Table 6 above presents the Revenue Budget decreasing by 0.9% should Members choose to accept the Council Tax Freeze Grant of 1% for 2015/16 (option B). Option A shows the position should Members choose to set a Council Tax increase of 1.94% as previously modelled. Under Option A this would provide up to an additional £0.182m of revenue funding to support the Capital Programme.

7. CAPITAL PROGRAMME

7.1 Capital Programme 2015/16 to 2019/20 (base year 2014/15)

7.1.1 The Medium Term Capital Strategy has been developed in line with the Authority's vision and aims and it's Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton and Hove. In the light of the need to deliver substantial revenue savings over the next five years, the Authority is reviewing all of its operational and support services through the Changing the Service, Shaping our Future programme. Where decisions have already been taken to change the service, which have capital investment implications, these are reflected in this Strategy. It is likely that further changes to this Strategy will be needed as further agreed reviews are completed.

7.1.2 Should the Authority approve Option B and accept the Council Tax Freeze Grant then the revenue contribution to the Capital Programme will be reduced by £0.182m in 2015/16 and £0.650m in total. In this event the same amounts will be drawn down from the Capital Programme Reserve to fund the Capital Asset Strategy.

7.1.3 Details of the Medium Term Capital Asset Strategy and its funding over the 5 year period are shown in Appendix E and summarised in the following Table:

Table 7 – Revenue Impact of Capital Programme 2015/16 to 2019/20

	Total resource	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fleet	7,130	690	2,140	1,070	1,290	1,940
Property	7,614	5,165	644	575	780	450
IMD	0	0	0	0	0	0
Total Gross Cost	14,744	5,855	2,784	1,645	2,070	2,390
Revenue implication	4,697	955	945	943	927	927
Previously forecast revenue implication	4,697	955	945	943	927	927
Total Revenue Cost (Saving)	**0**	**0**	**0**	**0**	**0**	**0**

8. RESERVES & BALANCES

8.1 Reserves are an essential part of good financial management. They help authorities cope with unpredictable financial pressures and plan for their future spending commitments.

8.2 The Authority's Reserves Policy is set out in Appendix F states that in considering the general level of reserves the Treasurer will have regard to:

- the strategic legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;
- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process

8.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The annual review of the robustness of reserves and balances is set out in Appendix F and summarised in Table 9 below.

TABLE 8 – Summary of Reserves and Balances

	31/03/2014 Balance £'000	2014/15 Projected Movements £'000	**31/03/2015 Projected Balance £'000**	2015/16 Projected Movements £'000	**31/03/2016 Projected Balance £'000**
Capital Programme Reserve	**3,443**	1,000	**4,443**	1,000	**5,443**
Other Earmarked Reserves	**3,998**	(386)	**3,612**	(1,175)	**2,437**
Total Earmarked Reserves	**7,441**	**614**	**8,055**	**(175)**	**7,880**
General Fund	**3,753**	0	**3,753**	0	**3,753**
Capital Receipts Reserve	**2,639**	1,820	**4,459**	(1,379)	**3,080**
Total Useable Reserves	**13,833**	**2,434**	**16,267**	**(1,554)**	**14,713**

9. **CHIEF FINANCE OFFICER STATEMENT**

9.1 In the view of the Treasurer in line with the requirements set out in Section 25 of the Local Government Act 2003, the estimates used for the purposes of calculating the budget, revenue and capital, have been produced in a robust and transparent way and the proposed financial reserves are consistent with Fire Authority policy and are prudent and necessary. Given the continuing reductions in funding for public services, which are likely to continue until 2020, the significant scale of savings required as a result and the nature of its business as an emergency service, the Authority needs to recognise that risks, financial and otherwise, and their consequent impact on the budget and reserves, may change during the year and will need to be continually monitored and reviewed in line with the Authority's policies.

10. **EQUALITY IMPACT ASSESSMENT**

10.1 Following the introduction of the Equality Act 2010 the Authority, must in the exercise of its functions, including the setting of its Revenue Budget and the taking of decisions on savings proposals, have due regard to its duties under the Act and in relation to certain protected characteristics. This means that Members must understand the consequences of the decisions they take for those with the relevant protected characteristics and consider these proportionately alongside other relevant factors. The majority of savings included in the 2015/16 Revenue Budget were approved by the Fire Authority in December 2013 and February and June 2014 and Equality Impact Assessments were prepared at the time. These have been updated since as the operational savings proposals have been developed for implementation and to reflect the additional non-operational savings proposals. Copies are available from the Clerks should Members wish to review them prior to approving the Revenue Budget. The Equality Impact Assessment for Phase 3 savings proposals are being developed and will be reported as approval for each proposal is sought.

MEDIUM TERM FINANCIAL PLAN 2015/16 - 2019/20
OPTION A - REJECT FREEZE GRANT AND INCREASE COUNCIL TAX BY 1.94% EACH YEAR

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	**37,657**	**36,871**	**37,111**	**37,614**	**38,346**
Less					
Specific grants	(211)	(190)	(171)	(154)	(138)
Other income	(1,786)	(1,830)	(1,876)	(1,925)	(1,973)
Total income	**(1,997)**	**(2,020)**	**(2,047)**	**(2,079)**	**(2,111)**
Net Service Budget	**35,660**	**34,851**	**35,064**	**35,535**	**36,235**
Capital financing costs less interest receivable	880	870	868	852	852
Capital expenditure from the Revenue Account	1,087	935	389	0	0
Transferred to Balances	1,000	750	500	500	500
Total Net Expenditure	**38,627**	**37,406**	**36,821**	**36,887**	**37,587**

Net Budget brought forward	**38,775**	**38,627**	**37,406**	**36,821**	**36,887**
Unavoidable cost pressures					
Pay inflation	192	479	472	476	485
Price inflation	210	208	203	203	207
Total inflation	**402**	**687**	**675**	**679**	**692**
Changes in Capital Financing	(4)	(10)	(2)	(16)	0
Budget commitments	477	111	(809)	(424)	8
Savings approved	(1,023)	(2,009)	(449)	(173)	0
Total Net Expenditure	**38,627**	**37,406**	**36,821**	**36,887**	**37,587**

Appendix A (option A)

Sources of Funding	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,561	2,571	2,635	2,701	2,769
Business Rate Top Up	4,729	4,847	4,968	5,093	5,220
Business Rates Baseline	**7,290**	**7,418**	**7,603**	**7,794**	**7,989**
Revenue Support Grant	7,514	6,171	4,948	3,833	2,813
Settlement Funding Assessment	**14,804**	**13,589**	**12,551**	**11,627**	**10,802**
Section 31 Grant Business Rates adjustment	276	103	0	0	0
2015/16 Council Tax Freeze Grant	0				
Council Tax Collection Fund Surplus	334				
Business Rates Collection Fund Surplus	43				
Council Tax Requirement	23,170	23,714	24,270	24,839	25,422
Total Resources Available	**38,627**	**37,406**	**36,821**	**36,466**	**36,224**
Additional Savings Required	**0**	**0**	**0**	**421**	**1,363**

Appendix A (option B)

MEDIUM TERM FINANCIAL PLAN 2015/16 - 2019/20
OPTION B- ACCEPT COUNCIL TAX FREEZE GRANT IN 2015/16 AND INCREASE COUNCIL TAX BY 1.94% PA THEREAFTER

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	**37,657**	**36,871**	**37,111**	**37,614**	**38,346**
Less					
Specific grants	(211)	(190)	(171)	(154)	(138)
Other income	(1,786)	(1,830)	(1,876)	(1,925)	(1,973)
Total income	**(1,997)**	**(2,020)**	**(2,047)**	**(2,079)**	**(2,111)**
Net Service Budget	**35,660**	**34,851**	**35,064**	**35,535**	**36,235**
Capital financing costs less interest receivable	880	870	868	852	852
Capital expenditure from the Revenue Account	905	718	138		
Transferred to Balances	1,000	750	500	500	500
Total Net Expenditure	**38,445**	**37,189**	**36,570**	**36,887**	**37,587**

Net Budget brought forward	**38,775**	**38,445**	**37,189**	**36,570**	**36,887**
Unavoidable cost pressures					
Pay inflation	192	479	472	476	485
Price inflation	210	208	203	203	207
Total inflation	**402**	**687**	**675**	**679**	**692**
Changes in Capital Financing	(4)	(10)	(2)	(16)	0
Budget commitments	295	76	(843)	(173)	8
Savings approved	(1,023)	(2,009)	(449)	(173)	0
Total Net Expenditure	**38,445**	**37,189**	**36,570**	**36,887**	**37,587**

Appendix A (option B)

Sources of Funding	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,561	2,571	2,635	2,701	2,769
Business Rate Top Up	4,729	4,847	4,968	5,093	5,220
Business Rates Baseline	**7,290**	**7,418**	**7,603**	**7,794**	**7,989**
Revenue Support Grant	7,514	6,405	5,158	4,021	2,983
Settlement Funding Assessment	**14,804**	**13,823**	**12,761**	**11,815**	**10,972**
Section 31 Grant Business Rates adjustment	276	103	0	0	0
2015/16 Council Tax Freeze Grant	259	0	0	0	0
Council Tax Collection Fund Surplus	334				
Business Rates Collection Fund Surplus	43				
Council Tax Requirement	22,729	23,263	23,809	24,367	24,938
Total Resources Available	**38,445**	**37,189**	**36,570**	**36,182**	**35,910**
Additional Savings Required	**0**	**0**	**0**	**705**	**1,677**

Appendix B

Revenue Budget Subjective Summary

	2014/15 Original Estimate £'000	2015/16 Original Estimate Option A £'000	2015/16 Original Estimate Option B £'000
Salaries, Allowances and On-costs	28,246	27,624	27,624
Training Expenses	555	560	560
Other Employees Costs	209	84	84
Employee Costs	**29,010**	**28,268**	**28,268**
Repair, Maintenance and Other Costs	1,009	1,047	1,047
Utility Costs	1,135	1,161	1,161
Premises Costs	**2,144**	**2,208**	**2,208**
Vehicle Repairs and Running costs	930	956	956
Travel Allowances and Expenses	126	138	138
Transport Costs	**1,056**	**1,094**	**1,094**
Equipment and Supplies	1,111	1,293	1,293
Fees and Services	1,574	1,600	1,600
Communications and Computing	2,604	2,613	2,613
Other Supplies and Services	489	581	581
Supplies and Services	**5,778**	**6,087**	**6,087**
Sums set aside from revenue	445	1,532	1,350
Interest Payments	514	510	510
Capital Financing	**959**	**2,042**	**1,860**
Grants and Contributions	(433)	(440)	(440)
Interest Received	(52)	(75)	(75)
Other Income	(1,206)	(1,557)	(1,557)
Income	**(1,691)**	**(2,072)**	**(2,072)**
Transfers From reserves			
Transfers To reserves	1,519	1,000	1,000
Total Net Expenditure	**38,775**	**38,627**	**38,445**
Financed By:			
Council Tax	(22,306)	(23,170)	(22,729)
Business Rates	(6,912)	(7,290)	(7,290)
Revenue Support Grant	(9,051)	(7,514)	(7,514)
S31 Grants	(230)	(276)	(276)
Council Tax Freeze Grant			(259)
Collection Fund Surplus/Deficit	(276)	(377)	(377)
Total Funding	**(38,775)**	**(38,627)**	**(38,445)**

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
		Facing the Challenge Savings						
		GIS Data Controller post	(36)	(36)	(36)	(36)	(36)	(36)
		Reduction L & D external training budget	(40)	(40)	(40)	(40)	(40)	(40)
		DFS post (net)	(50)	(50)	(50)	(50)	(50)	(50)
		Project Officer post following RCC cutover	(35)	(35)	(35)	(35)	(35)	(35)
		Visual Imaging Technician	(34)	(34)	(34)	(34)	(34)	(34)
		Graphics Designer	(36)	(36)	(36)	(36)	(36)	(36)
		Fifth floor admin support	(16)	(16)	(16)	(16)	(16)	(16)
		Insurance Portfolio	(30)	(30)	(30)	(30)	(30)	(30)
		ICS Review	(68)	(68)	(143)	(216)	(216)	(216)
		Removal of Aerial Ladder Platform and pumping appliances from Eastbourne Fire Station and replace with a Combined Aerial Rescue Platform	(74)	(74)	(74)	(74)	(74)	(74)
		Total Facing the Challenge Savings	**(419)**	**(419)**	**(494)**	**(567)**	**(567)**	**(567)**
		Sussex Control Centre Savings	**(316)**	**(474)**	**(474)**	**(474)**	**(474)**	**(474)**

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
		Deferred Savings						
		Reduction in Transitional Costs provision not taken in 2013/14	(174)	(174)	(174)	(174)	(174)	(174)
		Relocation Expenses	(20)	(20)	(20)	(20)	(20)	(20)
		Hydrants	(15)	(15)	(15)	(15)	(15)	(15)
		Uniform	(30)	(30)	(30)	(30)	(30)	(30)
		Insurance portfolio	(50)	(50)	(50)	(50)	(50)	(50)
		Fuel	(50)	(50)	(50)	(50)	(50)	(50)
		Total Deferred Savings	**(339)**	**(339)**	**(339)**	**(339)**	**(339)**	**(339)**
		Non Operational Savings						
	Non operational	Cleaning – review of current specification	(50)	(53)	(53)	(53)	(53)	(53)
	Non operational	Security – anticipated saving through contract re-procurement	(8)	(8)	(8)	(8)	(8)	(8)
	Non operational	Electricity Consumption Savings (premises wide) – as a result of Solar PV installation	(3)	(7)	(10)	(10)	(10)	(10)
	Non operational	FireLink Contract – review of budget against actual costs	(86)	(86)	(86)	(86)	(86)	(86)
	Non operational	Increase in income from mast rentals	(10)	(10)	(10)	(10)	(10)	(10)
	Non operational	Fuel – based on reducing trends in fleet mileage	(20)	(20)	(20)	(20)	(20)	(20)

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
	Non operational	Operational Equipment (Breathing Apparatus) – reduction in provision for ad hoc replacement - to be managed within equipment replacement budget	(33)	(33)	(33)	(33)	(33)	(33)
	Non operational	Various reductions in Health and Safety budget to reflect changes in working practices	(1)	(5)	(10)	(14)	(18)	(18)
	Non operational	Advertising budget – reflects lower level of recruitment advertising	(32)	(32)	(32)	(32)	(32)	(32)
	Non operational	Interview Expenses – reflects lower level of actual spend	(5)	(5)	(5)	(5)	(5)	(5)
	Non operational	HR Restructuring completed 2013/14	(8)	(8)	(8)	(8)	(8)	(8)
	Non operational	Reduction in Skills Refresher courses as a result of overall reduction in operational posts	0	(3)	(7)	(7)	(7)	(7)
	Non operational	Reduce L&OD course administration team by 1 fte as part of team relocation to STC.	(24)	(24)	(24)	(24)	(24)	(24)

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
	Non operational	Establish a visiting instructor rate of pay to replace over-time payments	(25)	(30)	(30)	(30)	(30)	(30)
	Non operational	Incorporate ASK refresher training into 4 day operational skills refresher course	0	0	(50)	(50)	(50)	(50)
	Non operational	Closer collaboration through to joint training function	0	0	0	0	0	0
	Non operational	Information Management, Health & Safety, Technical Fire Safety and Human Resources training –prioritisation of training bids	(78)	(78)	(78)	(78)	(78)	(78)
	Non operational	Development budget - Reflects reduction in operational posts and Incident Command review.	(60)	(60)	(45)	(30)	(30)	(30)
	Non operational	External audit – reduction in fees following Audit Commission outsourcing	(15)	(15)	(15)	(15)	(15)	(15)
	Non operational	Car allowances/Travel – reflects reduction in spend	(2)	(2)	(2)	(2)	(2)	(2)

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
	Non operational	Uniform – based on proposals to reduce operational posts	0	0	0	0	(44)	(44)
	Non operational	Car Allowances	(4)	(4)	(4)	(4)	(4)	(4)
	Non operational	External Printing and Copying – reflects impact of on line Council Tax leaflets	(6)	(21)	(21)	(21)	(21)	(21)
	Non operational	Advert & Publicity (Cost of Democracy)	(21)	(21)	(21)	(21)	(21)	(21)
	Non operational	Members Allowances – reflects cessation of Standards Panel / Independent Members	(15)	(15)	(15)	(15)	(15)	(15)
	Non operational	Contribution to Reserves - General balances are currently above the minimum level set out in Reserves and Balances Policy.	(200)	(200)	(200)	(200)	(200)	(200)
	Non operational	Contribution to Capital Programme Reserves.	0	0	(250)	(500)	(500)	(500)
	Non operational	Reduce provision for pay increases from 2% to 1.5% from 2016/17 – 2018/19	0	0	(118)	(241)	(366)	(366)
	Non operational	Various reductions in corporate budgets to reflect reduced actual spend	(24)	0	(24)	(38)	(38)	(38)
		Total non-Operational Savings	**(730)**	**(740)**	**(1,179)**	**(1,555)**	**(1,728)**	**(1,728)**

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
		Phase 1 Savings						
	Protection	We have endorsed five key prevention activities, namely: Home Safety, leading on Road Safety Co-ordination, Schools Education, Intervention and Incident Reduction and the promotion of sprinklers in domestic and commercial properties.	* See Commitments					
2	Prevention	We are reviewing the number of Home Safety visits carried out annually, targeting the most vulnerable in our community and, as a result of the reduction in incidents, a greater proportion to be undertaken by operational personnel.	(57)	(57)	(114)	(114)	(114)	(114)
5	Response	Consult on the introduction of Locality Managers in Hastings and Brighton.	(162)	(324)	(324)	(324)	(324)	(324)

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
3	Prevention	We have removed the Arson & Incident Reduction Manager reducing establishment by one Station Manager A (42). The work to reduce incidents is continuing within the Service.	0	(50)	(50)	(50)	(50)	(50)
4	Protection	It was agreed the existing 6 Borough Fire Safety offices are combined to form 2 larger Business Safety offices. These will be the City and Lewes (based at Hove) and Rother, Hastings, Wealden and Eastbourne (based at Eastbourne) and will be centrally co-ordinated and managed through a service level agreement with Borough Commanders.	0	(38)	(153)	(153)	(153)	(153)
6	Response	Amend the current two-watch duty system on day crewed duty system fire stations to a one-watch system across a seven day week.	0	(424)	(424)	(424)	(424)	(424)
		Total Phase 1 Savings	**(219)**	**(893)**	**(1,065)**	**(1,065)**	**(1,065)**	**(1,065)**

SAVINGS (cumulative) **APPENDIX C**

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
		Phase 2 Savings						
1		Remove 1 firefighting appliance from The City.	0	0	(932)	(932)	(932)	(932)
2A revised		Convert Battle Fire Station from day crewed to new one watch system, providing additional response to Hastings,	0	(107)	(107)	(107)	(107)	(107)
3		Introduce day crewed plus at Roedean and The Ridge fire stations.	0	0	(391)	(391)	(391)	(391)
		Total Phase 2 Savings	**0**	**(107)**	**(1,430)**	**(1,430)**	**(1,430)**	**(1,430)**
		Additional Non Operational Savings						
		Performance Management staffing	0	(10)	(10)	(10)	(10)	(10)
		Fuel	0	(50)	(50)	(50)	(50)	(50)
		Special Projects staffing	0	(14)	(14)	(14)	(14)	(14)
		Total Additional Savings	**0**	**(74)**	**(74)**	**(74)**	**(74)**	**(74)**
		Total cumulative savings	**(2,023)**	**(3,046)**	**(5,055)**	**(5,504)**	**(5,677)**	**(5,677)**

Appendix D

FEES AND CHARGES
WITH EFFECT FROM 1 APRIL 2015

	Fee	**Existing Fees 2014/15 £**	**New Fees 2015/16 £**
1	The hiring of a major pumping appliance with crew per hour	272	279
2	The hiring of other pumping vehicles with crew per hour	218	224
3	The hire of hydraulic platforms or turntable ladders with crew per hour	293	301
4	Dry Riser:		
	Subsequent test at the owner's request		
	First Dry Riser	201	207
	Additional Dry Risers	131	135
5	Interviews: *		
	Insurance Co etc.	131	135
	After two hours	85	88
6	Copy of Petroleum Licences *	31	32
7	Copy plans *	36	37
8	Standby at Venue	272	279
9	Fire Investigation Report	292	300
10	Chemical Protection Suit	151	155
11	Commercial Training One day course (per person)	172	177
	Commercial Training Customers Site (per Session)	587	602
	Commercial Training Fire Talk (per session)	350	359
13	Inspection of Plans for Marriage Act 1994 *	111	114
14	Environmental search fees	106	109

All fees and charges will have VAT added except those marked with " * "

Appendix E

DRAFT MEDIUM TERM CAPITAL STRATEGY 2015/16-2019/20

Overview

The Medium Term Capital Strategy has been developed in line with the Authority's vision and aims and it's Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton and Hove. In the light of the need to deliver substantial revenue savings over the next five years, the Authority is reviewing all of its operational and support services through the Changing the Service, Shaping our Future programme. Where decisions have already been taken to change the service, which have capital investment implications these are reflected in this strategy. It is likely that further changes to this strategy will be needed as further service reviews are carried out.

The main areas covered within the strategy are summarised below.

Property – Major Schemes

The Authority has had a programme of major property schemes identified through its Property Asset Management Plan which involve either major refurbishment of existing sites or schemes for new build. In the current Strategy these include:

- **Newhaven Fire Station –** this is a scheme to replace the current Fire Station on a new site with office space to accommodate a number of public sector partners. The programme has been delayed due to a combination of factors which have included; pre-commencement planning conditions, a buoyant marketplace which led to delays by the main contractor receiving final work package quotes by sub-contractors and specialist and also the collaborative nature of the project has provided some challenges for timescales in terms of receiving authorisations to proceed. The site handover took place in December 2014 with construction commencing January 2015. The gross build cost of the new fire station has been advised as £3.6m with contributions of £0.835m from the two partners.

- **Preston Circus -** The option to build a new fire station at a new location in Brighton has proved difficult due to the extremely limited land availability in the required risk and response area. The Service has been working with the Brighton & Hove City Council and other partners to maximise the practical use at the current site and this work is on-going with a variety of options still to be considered and costed. Consequently, there remains the need to budget approximately £0.4m over the next five years, within the General Property Strategy, to maintain existing facilities and services. A large proportion of these costs relate to major plant, heating distribution and electrical system replacements.

- **Day Crewed Plus –** as part of the Changing the Service Shaping our Future programme the Authority has agreed to implement day crewed plus at Roedean and the Ridge Fire Stations. This will require the construction of new accommodation blocks at each site at a total estimated cost of £1.855m during 2015/16.

- **Sussex Control Centre –** a part of a joint project with West Sussex Fire and Rescue Service part of Haywards Heath fire Station has been refurbished to accommodate a pan Sussex Control Centre. This scheme, has been led by WSFRS, and has now completed and a final contribution towards its cost will be made in 2014/15.

Property – General Schemes
This Strategy seeks to achieve property maintenance and improvements as identified by the most recent property condition survey undertaken in 2013. This informs us of the overall cost prioritisation of work and ensures that the building stock can be sustained in effective working order on a long term basis. It also reflects the capacity of the Estates Team to deliver the required day to day services effectively. This Strategy has identified that significant progress has been achieved with the previously identified investment schemes. Consequently, there have been changes to the current Capital Programme and changes to schemes starting in 2014/15 and beyond.
Complementary to the Property Condition surveys are evaluations taking place to assess future operational requirements within the context of the Integrated Risk Management Planning process, the Carbon Trust survey of energy usage, the Local Development Frameworks and Core Strategies for each of the planning authority areas, as well as the legal responsibilities of the Equality Act and other legislation such as the Control of Asbestos Regulations.

Information Management
The Information Management Strategy is currently undergoing a major review as the Authority seeks to implement a new model for its service delivery. There is only one existing IMD capital scheme within this Strategy for the new mobilising system and other IT requirements within the Sussex Control Centre, which is a joint scheme with West Sussex Fire and Rescue Service and is expected to be completed during 2014/15. The capital elements of this scheme are funded by a capital grant from DCLG.

Fleet and Equipment
The Authority has a rolling programme of replacing its vehicle fleet in line with its agreed lifing policy. This encompasses fire appliances (generally 3 each year), aerial appliances, ancillary vehicles and the light fleet (cars and vans). The current IRMP Review of Prevention, Protection and Response will consider the volume and type of incidents across the Service area and map the prominent life and property risks with the type of equipment needed on front line appliances. This will include consideration of

smaller appliances and a review of our 2 remaining aerial ladder platforms (ALP) which will include an option to introduce combined aerial rescue pumps (ARPs). Any outcomes from the Review will be reflected in future versions of this Strategy.
Most equipment replacement is funded through our revenue budget, however, schemes can be considered for capital funding where they meet certain criteria. A need to replace our current Breathing Apparatus and upgrade it to include telemetry has been identified and is included within the Strategy for 2016/17. Funding of £0.75m is provided from an existing earmarked reserve.
Detailed strategies for Property, IMD and Fleet and Engineering are available as separate documents.

Funding
The Capital Strategy is funded from a number of sources which are described below. In order to ensure the Strategy is sustainable and affordable we aim to maximise external funding, where it is available, so as to reduce the pressure on our own resources. This is becoming increasingly important in the light both of pressures on our revenue budget and the ending of general capital grant from central government.

- **Capital Grant**

General capital grant allocations from central government for fire authorities end in 2014/15 and grant funding thereafter is on a wholly bid for basis. The Authority has submitted bids for 2015/16 into two separate Government funds to support the following capital schemes:

a) Day Crewed Plus (Roedean and The Ridge) – FRA Transformation Fund 2015/16 – bid amount = £1.602m; and
b) Newhaven Fire Station – Local Government Transformation Challenge Award 2015/16 – bid amount = £0.565m

The Authority has been notified that both bids were unsuccessful.

Additionally, the Authority submitted a joint (syndicated) bid with blue light partners in Sussex and Surrey to introduce a Joint Transport Function, this bid was successful and £5.96m has been allocated to progress this project to detailed business case and full implementation, dependent upon investment value and return on investment for each of the partners. If this progresses then implementation will begin in April 2015 and may require further capital funding from partners beyond that provided through grant. At this stage this Strategy makes no provision for any capital contribution towards this project.

The Authority was awarded £3.6m of grant funding, jointly with West Sussex Fire and Rescue Service, for the Sussex Control Centre project and £2.027m of this has been allocated to fund capital expenditure on the IT aspects of the scheme.

- **Partner Contributions**

The Authority is increasingly engaged in collaborative working with other public sector partners, particularly other emergency services. This includes capital projects, and where the Authority is lead body for a scheme this may lead to partners making contributions towards the capital costs. The Newhaven Fire Station Scheme aims to deliver a community hub with office space with our partners, Lewes District Council and Sussex Police contributing £0.835m to the cost of the scheme.

- **Capital Receipts**

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The disposal of a number of the Authority's assets including all remaining service housing (as a result of the Rural Review in 2010) and the site of the current Newhaven Fire Station (estimated at £0.515m in 2016/17) will be used to fund the capital asset strategy. As at 31 March 2015 it is estimated that there will unapplied capital receipts of £4.459m (Capital Receipts Reserve) with a further £2.937m expected during 2015/16 and 2016/17.

- **Revenue Contributions**

The Authority can make revenue contributions to the cost of its capital expenditure either direct from its revenue budget or from reserves earmarked for capital schemes. As at 31 March 2015 it is estimated that there will be a balance of £4.443m in the Capital Programme Reserve (CPR) and £0.75m in the BA Reserve. For a number of years there has been provision in the revenue budget to pay £1.0m each year into the CPR. As part of the savings proposals agreed in February 2014 this will reduce to £0.75m in 2016/17 and £0.5m in 2017/18. It is also proposed to make additional revenue contributions to the Capital Programme of £2.411m between 2015/16 and 2017/18.

- **Prudential Borrowing**

The Authority can use prudential borrowing to fund capital expenditure spreading the cost over the life of the asset. Overall our total borrowing must be sustainable and affordable. Borrowing commits the Authority to a long term cost which has implication for our revenue budget. Broadly speaking every £1m of additional borrowing would add £85,000 of financing costs to the Authority's revenue budget. The Authority is not currently planning any new external borrowing during the life of this Strategy but will continue to use internal borrowing as set out in its Treasury Management Strategy.

MEDIUM TERM CAPITAL STRATEGY 2015/16-2019/20
SCHEME SUMMARY AND FUNDING

	Total Budget £'000	Total Previous Year's Spend £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Remaining Budget Total £'000
Property – Major Schemes									
Crowborough Fire Station	1,005	962	35						35
Newhaven Fire Station	3,560	98	630	2,783	49				3,462
Sussex Control Centre	1,100	913	187						187
Day Crewed Plus – Roedean & the Ridge	1,855		218	1,637					1,855
Service Training Centre – BA Classroom	220	212	8						8
Sub Total	**7,740**	**2,185**	**1,078**	**4,420**	**49**	**0**	**0**	**0**	**5,547**
Property – General Schemes									
General Schemes	2,595		60	345	490	470	780	450	2,595
Replacement Fuel Tanks	190		0	190					190
Service Training Centre	40	17	23						23
Sustainability	420		0	210	105	105			420
Sub Total	**3,245**	**17**	**83**	**745**	**595**	**575**	**780**	**450**	**3,228**

Information Management									
Sussex Control Centre	2,027	869	1,158						1,158
Fleet & Equipment									
Fire Appliances	3,835		205	480	720	720	960	750	3,835
Aerial Appliances	680							680	680
Ancillary Vehicles	1,044		14	30	490	150	80	280	1,044
Cars & Vans	1,461	159	262	180	180	200	250	230	1,302
BA & Ancillary Equipment	750				750				750
Sub Total	**7,770**	**159**	**481**	**690**	**2,140**	**1,070**	**1,290**	**1,940**	**7,611**
Total Expenditure	**20,782**	**3,230**	**2,800**	**5,855**	**2,784**	**1,645**	**2,070**	**2,390**	**17,544**

Funding

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2014/15 to 2019/20 funding total £'000
Grants							
General Capital Grant	931						931
Sussex Control Grant	1,158						1,158
Transformation Grant							0
Sub Total	**2,089**	**0**	**0**	**0**	**0**	**0**	**2,089**
Partner Contributions							
Newhaven – Lewes DC	108	477	8				593
Newhaven – Sussex Police	44	195	3				242
Sub Total	**152**	**672**	**11**	**0**	**0**	**0**	**835**
Capital Receipts Reserve	114	3,801	649	1,017	1,639	290	7,510
Capital Programme Reserve						1,669	1,669
Other Earmarked reserves			750				750
Sub total	**114**	**3,801**	**1,399**	**1,017**	**1,639**	**1,959**	**9,929**
Revenue Contributions	0	1,087	935	389	0	0	2,411
Internal Borrowing	445	295	439	239	431	431	2,280
Total funding	**2,800**	**5,855**	**2,784**	**1,645**	**2,070**	**2,390**	**17,544**

Funding – Use of Reserves

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Capital Receipts Reserve						
Opening Balance	**2,639**	**4,459**	**3,080**	**2,946**	**1,929**	**290**
Transfers In	1,934	2,422	515			
Transfers Out	(114)	(3,801)	(649)	(1,017)	(1,639)	(290)
Closing Balance	**4,459**	**3,080**	**2,946**	**1,929**	**290**	**0**
Capital Programme Reserve						
Opening Balance	**3,443**	**4,443**	**5,443**	**6,193**	**6,693**	**7,193**
Transfers In	1,000	1,000	750	500	500	500
Transfers Out	0	0	0	0	0	(1,669)
Closing Balance	**4,443**	**5,443**	**6,193**	**6,693**	**7,193**	**6,024**
BA Reserve						
Opening Balance	**750**	**750**	**750**	**0**	**0**	**0**
Transfers In						
Transfers Out			(750)			
Closing Balance	**750**	**750**	**0**	**0**	**0**	**0**

Appendix F

Reserves and Balances Policy

Background

This policy sets out the Authority's approach to reserves and balances. The policy has regard to LAAP Bulletin 77 'Local Authority Reserves and Balances', issued in November 2008.

Section 26 of the Local Government Act 2003 gives the Secretary of State power to set a minimum level of reserves for which an Authority must provide in setting its budget. The Secretary of State indicated that "the provisions are a fallback against circumstances in which an Authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty".

Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

In reviewing medium-term financial plans and preparing annual budgets, the Authority will consider the establishment and maintenance of reserves for the general fund. There is no statutory minimum or maximum level of reserves. The nature and level of reserves will be determined formally by the Authority, informed by the judgement and advice of the Treasurer. This will be based on an assessment of what is appropriate and necessary in the light of the circumstances facing the Authority.

Types of reserve

The Authority will maintain the following reserves:

- general reserve: to manage the impact of uneven cash flows and unexpected events or emergencies;
- earmarked reserves: sums set aside to meet known or predicted specific requirements.

Earmarked reserves will be maintained as follows:

- Improvement and Efficiency reserve: to enable the Authority to develop its collaborative approach to service delivery and respond to priority areas for service improvement;
- Insurance Reserve: to enable to effective financial management of the cost of uninsured losses;
- Service reserves: funds set aside for specific purposes in respect of individual service business cases;
- Capital Programme Reserve: to support the provision of the capital infrastructure required to deliver the Authority's service priorities; and
- Capital Receipts Reserve: capital receipts not yet applied to capital expenditure.

The Authority will also maintain a number of other reserves that arise out of the interaction between legislation and proper accounting practices. These reserves, which are not resource-backed, will be specified in the annual Statement of Accounts.

Principles to assess the adequacy of reserves

The Treasurer will advise the Authority on the adequacy of reserves. In considering the general reserve, the Treasurer will have regard to:

- the strategic legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;
- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process

Having had regard to these matters, the Treasurer will advise the Authority on the monetary value of the required general reserve.

In considering specific reserves, the Treasurer will have regard to matter relevant in respect of each reserve, and will advise the Authority accordingly.

Service reserves

The process for the determination of Service reserves will be based upon the principles of effective operational and financial risk management. Service Directorates will be asked to submit business cases in respect of any planned under-utilisation of the agreed budget, which they would wish to carry forward to apply in future years. Businesses cases will be considered by the Corporate Management Team and will be subject to the final approval of the Treasurer.

Use of reserves

Members, as part of agreeing the budget, will agree the policy for drawdown of reserves on the advice of the Treasurer.

The Treasurer will monitor the drawdown of specific reserves in accordance with the agreed policy, and keep Members advised, through normal monitoring reports.

Risk assessment to determine the adequacy of the General Reserve

Authorities need reserves so that they can deal with unforeseen calls on resources, without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditors, it is not their responsibility to prescribe the appropriate level. In setting the level, the Authority should take into consideration the advice of their Treasurer, taking into account all local relevant circumstances.

Members will be aware that the working reserves provide protection against unforeseen events that could impact on the authority. Reserves have to be used carefully. They can be used only once. Decisions to use reserves to fund on-going spending or hold down Council Tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional Council Tax increases are required. There is a significant risk of future financial instability if significant levels of reserves are used to fund on-going spending or reductions in Council Tax. This is will impact on Council Tax rises in future years to pay for one-off use of balances.

As a general rule, the Authority should only plan to use reserves to fund one-off spending where the reserves exceed the recommended level. Where the Authority decides to use such reserves to fund on-going spending or reductions in Council Tax, they should indicate how they plan to make up the budget shortfall in future years. All Members must be mindful of their stewardship responsibility to the Authority.

A full review of reserves, as in the past, has taken place as part of the budget setting process. The main risks identified and their potential financial impacts are set out below and these have been used as the basis for determining the level of general reserves required.

- **Operational incident performance failure:** Non-insured costs of HSE and other investigations following a serious incident with serious implications for ESFRS, project team, ancillary costs and putting right the organisation (£1m).
- **Abnormal weather conditions:** A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs. A prolonged seasonal problem could easily generate additional costs of £200,000 in retained pay, overtime and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support qualifying expenditure in excess of 2% of Revenue Budget (£0.8m).
- **Pensions costs:** Review adequacy of pension provision as part of the revenue budget process – this provision relates to additional ill health pensions not predicted at budget preparation. Continue to monitor age profile of workforce and expenditure forecasting. In addition there is a lack of clarity on the impact of the new firefighters pension scheme to be introduced in 2015 and a risk that employer’s contributions could increase in the short term (£0.6m).
- **Staff severance and redundancy provisions:** In order to achieve the level of strategic financial savings required in future years, it may be appropriate to agree additional business case savings in advance and, as a consequence, incur additional severance payments paid to staff that exceed the sums already put by in earmarked reserves (£0.25m).
- **Funding volatility resulting from Local Government Resources Review:** as a result of the Local Government Resource Review, including the Localisation of Council Tax Support Grant the Authority is exposed to potential increased volatility in two key income streams, business rates and Council Tax (the latter both through the tax base itself and the likelihood of a deficit on the Collection Fund) (£0.75m)

- **Unanticipated business or economic pressures:** The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier. Equally the Authority has a number of key ICT systems which were they to fail could require urgent external support or replacement equipment at short notice which could be costly for the Authority. There is also a risk of additional costs as a result of industrial action (£1m).
- **Inflationary increases:** provision has been made for anticipated increases in pay and prices within the budget. However, national pay restraint is based on an average of 1% and so actual increases within different services may vary. The Authority is also global inflationary pressures particularly in relation to oil based and other natural resources (£0.2m)
- **Legal and employment issues:** as a service provider and an employer the Authority faces the potential that legal action could be taken against it on a range of grounds, including equal pay, discrimination, unfair dismissal and corporate negligence / manslaughter. Awards and legal costs in such cases can be significant so a provision within balances is prudent (£0.5m)
- **Savings plans:** the Authority is developing its savings plans for the next 5 years and has already agreed a range of measures for implementation. However it is possible that implementation may take longer than anticipated or savings may be less than originally estimated leading to an in year budget pressure (£0.4m)
- **Provision of services:** the Authority has taken on delegated responsibility for the delivery of mobilisation and control functions for West Sussex Fire Service under a S16 agreement. Failure to provide the service to the agreed performance levels could result in additional costs for the Authority (£0.25m)
- **Loss of income:** income targets are set within the budget for a number of functions, for example commercial and service training, and the Authority also receives income from the investment of its cash balances where rates achieved continue to decline. Although the amounts involved are small relative to the overall budget they continue to present a risk in year (£0.1m)

Proposal for the level of General Reserves

The assessment gives a preliminary figure of £5.85m (15.1%) on the net budget requirement of £38.627m in 2015/16. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate and pressure on budgets, it would seem appropriate to continue to maintain the minimum level of general reserves at 8% in line with the Authority's existing policy. This equates to £3.1m. As the current general balances (reserves) provision is projected above this level at £3.753m, then the minimum level can be maintained without further contributions as the net budget requirement reduces in the medium term.

Review of earmarked reserves

Since the Authority became a precepting body, Members have agreed, in principle, to the establishment of a number of earmarked reserves. Each year, the relevance of these is reconsidered as part of the service planning process and Members are informed of the latest plans for the balances held in such reserves. As the Authority has developed its response to the reduction in government funding and the need to deliver savings through different ways of working, Members have approved the establishment of a number of key reserves to support this process – the Improvement and Efficiency Reserve and also the Capital Programme Reserve (which along with the Capital Receipts Reserve supports the funding of the Authority's capital programme). Through careful budget management, the Authority has also established a range of Service Reserves to support the delivery of specific initiatives.

A commentary on the purpose and planned use of each of the existing earmarked reserves is detailed below:

- Improvement & Efficiency reserve: This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver savings and respond to priority areas for service improvement. This includes support for the Authority's Transformation Programme and any costs that may arise from it including redundancy payments. Collaborative projects are also being progressed with a number of potential partners many of which may require proportionate pump priming funding to realise future financial savings for all partners involved.
- Insurance Reserve: ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. However, the high cost of premiums required ESFRS to accept higher excess limits on fleet insurance and pay for the additional costs incurred up to the higher excess levels. This has actually proven to be financially beneficial and a similar review is now taking place for property excesses. The savings made are placed in this reserve to help offset years when higher claims may occur which have to be paid for internally.
- Capital Programme Reserve: to support the provision of the capital infrastructure required to deliver the Authority's service priorities. Given that there could be potential additional capital implications from phase 2 and 3 savings proposals and that Government Capital Grant funding is shifting from pro rata apportionment to "bid for" basis then it is important that this source of funding is maintained ion the short to medium term. As part of the non-operational savings proposals the Authority has agreed to reduce the base budget contribution to this reserve to £500,000 per annum by 2018/19; and
- Budget Carry Forward – this reserve is to allow the carry forward of underspends into the following financial year where projects have slipped or there are other outstanding financial commitments to be met.

Service reserves: funds set aside for specific purposes in respect of individual service business cases:

- Maritime Incident Response Group: This reserve is no longer required following a review of Maritime Provision which determined to permanently retain a reduced capability but for this to be fully funded through the revenue budget. It is proposed to transfer the unspent balance of £95,000 into the Improvement & Efficiency reserve.
- Community Fire Safety Database: This provision is for the purchase and implementation of an extension to the Technical Fire Safety Database, currently being implemented. The scheme is expected to be completed in 2015/16.
- Breathing Apparatus: The renewal of breathing apparatus is on a life cycle basis, and significant costs are incurred at lifecycle replacement, due in 2016/17. Following a review this project has been included in the Capital Asset Strategy and this reserve will be used to fund it.
- Mapping Solution a reserve to meet specific IT infrastructure for both ESFRS and the Sussex Control Centre which are not funded from the DCLG grant, and is expected to fully drawn down during 2015/16.
- Relocation expenses for staff vacating service housing: The Authority has agreed to dispose of its entire day crewed housing stock over a four year period. Staff have been offered relocation support in order to achieve this overall objective over the remaining period. The current assumption is that the remaining costs will fall in 2015/16.
- Volunteers Scheme: provision to support the volunteers scheme for a further year before a business case is made for its future
- Sprinklers – as part of the 2014/15 budget the Authority approved £200,000 of funding to match fund the retrofitting of sprinklers in high risk / high rise residential premises. The unspent balance of this budget has been transferred into a reserve to fund projects planned for 2015/16.
- Capital Receipts Reserve: capital receipts not yet applied to capital expenditure.

The planned movement on each of the earmarked reserves is shown in the following table:

	31/03/2014 Balance £'000	2014/15 Projected Movements £'000	**31/03/2015 Projected Balance £'000**	2015/16 Projected Movements £'000	**31/03/2016 Projected Balance £'000**
Earmarked Reserve					
Improvement and Efficiency	**1,757**	356	**2,113**	(700)	**1,413**
Budget carry forward	**275**	(275)	**0**		**0**
Maritime Incident Response Group	**123**	(123)	**0**		**0**
Sprinklers	**0**	112	**112**	(112)	**0**
Community Safety Smoke Detectors	**50**		**50**	(25)	**25**
Insurance	**249**		**249**		**249**
Community Fire Safety Database	**150**	(65)	**85**	(85)	**0**
Breathing Apparatus	**750**		**750**		**750**
SCC Desktop Provision	**85**	(85)	**0**		**0**
SCC Connectivity	**106**	(106)	**0**		**0**
Mapping Solution	**120**	(51)	**69**	(69)	**0**
Relocation Expenses for Staff vacating service housing	**170**	(70)	**100**	(100)	**0**
Volunteers Scheme	**163**	(79)	**84**	(84)	**0**
Capital Programme reserve	**3,443**	1,000	**4,443**	1,000	**5,443**
Total Earmarked Reserves	**7,441**	**614**	**8,055**	**(175)**	**7,880**
General Fund	**3,753**		**3,753**		**3,753**
Total Revenue Reserves	**11,194**	**614**	**11,808**	**(175)**	**11,633**
Capital Receipts Reserve	**2,639**	1,820	**4,459**	(1,379)	**3,080**
Total Useable Reserves	**13,833**	**2,434**	**16,267**	**(1,554)**	**14,713**

Appendix G (option A)

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2015/16
REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

	£	£
NET BUDGET REQUIREMENT		**38,627,000.00**
Forecast Business Rates retained	2,561,000.00	
Top Up grant	4,729,000.00	
Total Base Line funding	7,290,000.00	
Add Revenue Support Grant	7,514,000.00	
Settlement Funding Assessment	14,804,000.00	
Section 31 Grant Business Rates adjustment	276,000.00	
Council Tax Freeze Grant	0.00	
Previous Year's Surpluses/(Deficits)	377,000.00	
Total Council Tax Requirement		**23,170,000.00**
Tax base	**272,366.01**	
Basic Council Tax (Band D equivalent)		**85.07**
Basic Council Tax from above calculation		**Council Tax**
Band A	**6/9**	**56.71**
Band B	**7/9**	**66.17**
Band C	**8/9**	**75.62**
Band D	**9/9**	**85.07**
Band E	**11/9**	**103.97**
Band F	**13/9**	**122.88**
Band G	**15/9**	**141.78**
Band H	**18/9**	**170.14**
	Tax Base	**Precept**
Brighton and Hove	**83,633.50**	**7,114,702**
Eastbourne	**32,558.90**	**2,769,786**
Hastings	**24,281.00**	**2,065,585**
Lewes	**34,979.80**	**2,975,732**
Rother	**35,708.31**	**3,037,706**
Wealden	**61,204.50**	**5,206,667**
	272,366.01	**23,170,178**

Appendix G (option B)

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2015/16
REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

	£	£
NET BUDGET REQUIREMENT		**38,445,000.00**
Forecast Business Rates retained	2,561,000.00	
Top Up grant	4,729,000.00	
Total Base Line funding	7,290,000.00	
Add Revenue Support Grant	7,514,000.00	
Settlement Funding Assessment	14,804,000.00	
Section 31 Grant Business Rates adjustment	276,000.00	
Settlement Funding Assessment Adjustment	259,000.00	
Previous Year's Surpluses/(Deficits)	377,000.00	
Total Council Tax Requirement		**22,729,000.00**
Tax base	**272,366.01**	
Basic Council Tax (Band D equivalent)		**83.45**

Basic Council Tax from above calculation		**Council Tax**
Band A	**6/9**	**55.63**
Band B	**7/9**	**64.91**
Band C	**8/9**	**74.18**
Band D	**9/9**	**83.45**
Band E	**11/9**	**101.99**
Band F	**13/9**	**120.54**
Band G	**15/9**	**139.08**
Band H	**18/9**	**166.90**

	Tax Base	**Precept**
Brighton and Hove	**83,633.50**	**6,979,216**
Eastbourne	**32,558.90**	**2,717,040**
Hastings	**24,281.00**	**2,026,249**
Lewes	**34,979.80**	**2,919,064**
Rother	**35,708.31**	**2,979,858**
Wealden	**61,204.50**	**5,107,516**
	272,366.01	**22,728,943**

Appendix H

Establishment and payroll budget

Staff Group	**Establishment at 31 March 2016** **Full time or whole equivalent**	**2015/16 Associated payroll cost budget £'000**
Principal officers	4.0	597
Wholetime Firefighter	399.0	16,649
Retained Firefighter	242.0	2,132
Mobilising staff	39.0	1,961
Support staff	135.8	5,051
Total	819.8	26,390

Budget Consultation

The responses received from staff and business representative bodies and other local authorities on the draft Revenue Budget proposals are set out below.

FIRE BRIGADES UNION

East Sussex

103 Southdown Road,
Portslade,
East Sussex.
BN41 2HL

Mobile:07799344912
E mail:simon.herbert@fbu.org.uk

Brigade Secretary: Mark Brown   Brigade Chair: Simon Herbert

ESFRS HQ
20 Upperton Road
Eastbourne
East Sussex
BN21 1EU

Dear Councillors,

RE : 2015/16 Fire Authority Revenue Budget and Capital Programme

East Sussex FBU Brigade Officials are writing to Members of the Fire Authority in East Sussex regarding the draft revenue budget and capital programme that was put forward to the Policy and Resources Panel on 15th January 2015.

Having reviewed the options laid out the FBU in East Sussex are of the opinion, as we have historically, that the Fire Authority must increase Council Tax as set out in **Option A**.

Option A states ' ***increasing Council Tax by 1.94% - this would involve setting a net budget requirement of up to £38.471m, a Council Tax Requirement of £23.161m and increasing Band D Council Tax to £85.07.'***

The FBU wholeheartedly disagree with decisions made over the last year to reduce frontline emergency response within East Sussex and The City of Brighton & Hove. The FBU shall continue to campaign against many of the decisions the Fire Authority have made, decisions that will negatively impact both public and firefighter safety.

However should the Fire Authority not vote to accept Option A the FBU believe the Fire Authority will be forced to make further decisions based on finances, rather than putting safety first, due to the projected gap in funding.

The FBU have also noted the projections on the economic outlook made within the Draft Revenue Budget and Capital Programme. Following discussions with Labour ministers and our meetings with the Shadow Fire Minister it is clear, that although Labour have stated that there will be no new money for the Fire Service, should they be voted into Government in 2015 they shall look to run the Fire Service in a more efficient manner.

They are currently carrying out consultation on moving towards either a single Fire Service or a regional model that would realise the necessary efficiency savings without negatively impacting public and firefighter safety.

We believe this will be Government lead as Chief Fire Officers have failed to protect frontline emergency response when making efficiency savings as laid out by the Fire Minister Bob Neil in 2010.

The letter in 2010 stated efficiency savings within the Fire Service could be realised by :

- Flexible Staffing Arrangements
- Improved sickness management
- Pay restraint and Recruitment freezes
- Shared services/back office functions
- Improved Procurement
- Sharing Chief Fire Officers and other senior staff
- Voluntary amalgamations

It is for the above reasons that the FBU are disappointed with decisions made by the Fire Authority to commit to cut firefighter jobs and downgrade fire stations.

Kind regards,

Mark Brown
East Sussex FBU Brigade Secretary

Simon Herbert
East Sussex FBU Brigade Chair

East Sussex Branch of the Fire Officers Association

Response to the East Sussex Fire Authority 2015-16 Budget Consultation - 30/1/15

The Fire Officers Association Branch members recognise the difficult financial environment within which the Fire Authority operates and its requirement to make further significant savings in the coming years.

Clearly this generates hard decisions for Authority Members, unsettles staff and causes concern for the public as they consider the effect of reconfigured resources. That said East Sussex's historically strong budgets have left the Authority some room for manoeuver as it seeks to reconcile long term funding with risk in East Sussex, Brighton & Hove.

The FOA Branch broadly supports the budget proposals for 2015-16 as recently presented to the Policy and Resources Panel.

FOA members strongly encourage the Fire Authority to select Option A, 1.94% increase in Council tax rather than taking the freeze grant as described in Option B.

It would be understandable, especially in an election year, if some political considerations were to find their way to the Authority meeting room during the budget debate. However we would strongly urge Authority Members to put such considerations to one side and take a medium to long term view of this year’s budget setting process; recognising that by increasing Council tax by the modest amount of 1.94% they are in effect future proofing the budget and therefore significant elements of the Service. This in turn will make the Authorities financial and service provision decisions in the future a little easier.

The FOA recognises the need for change, accounting for and addressing risk as well as balancing budgets. Ensuring that the Council Tax increase is taken and incorporated in the base budget will allow the Authority the capacity over the next few years to continue to support prevention and protection work to ensure that the drivers for incident reduction are truly embedded and community safety maintained as response resources are reconfigured.

Mark Rist
Chair, East Sussex branch of the Fire Officers Association

East Sussex Branch Retained Firefighters Union

Please be advised after consultation with the Chief Fire Officer and reporting back to its membership , the East Sussex retained firefighters union members have indicated their support of the increase to the base budget option thus incurring a rise to council tax .

Members commented this appeared the best option at present in a sea of uncertainty and change in the fire and rescue service and the right option for East Sussex going forward into a hopefully more stable economic future .

Regards Andy Tolkien

Chair ESX R.F.U

UNISON

Dear Des,

With reference to the information recently circulated with respect to the 2015-16 Budget Consultation.

Given the continued uncertainty about future funding for the Fire & Rescue Service it is felt that every opportunity should be taken to secure an increase in the base of the budget which will then be carried forward in to future years.

The freeze grant does not offer such a guarantee.

Therefore after consultation with Unison colleagues we would like to make you aware of our unanimous support for the option to increase Council Tax by 1.94%.

We would also like to take this opportunity to express our continued disappointment with some of the language used by some members of the Fire Authority when discussing options for further savings.

While we appreciate your personal, and often stated, view that support staff are an integral part of the Service, we are still hearing expressions like ‘reductions in the back office’ and ‘protecting front-line services’.

These appear to be veiled references to an apparent preference by the Fire Authority to see further reductions in support staff as the solution to pressures on the shrinking budget.

Should you have the opportunity could you remind Members that; when they refer to the ‘Back Office’ they are talking about people with families and commitments and it is upsetting to be referred to in such a casual and dismissive manner?

Such an attitude does not reflect the hard work undertaken by support staff, the number of which has been severely reduced over the past few years, to ensure delivery of the services that our communities expect.

We are under no illusion that as the organisation changes it is likely there will be further consideration to the number of support staff required but we do not need to be reminded about this by thoughtless public comments.

Best Regards.

Mark Todd

On behalf ESFRS Unison members

Agenda Item No. 834

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title:	**ESFRS Maritme Response Team – Future Options**
By:	**Chief Fire Officer & Chief Executive**
Purpose of Report:	**To provide the Fire Authority with an update on the IRMP Phase 3 Review of offshore Maritime Response**

RECOMMENDATION: That the Fire Authority approves the recommendation, in principle, to continue providing an offshore maritime response in line with a revised model (Option 2) for a further period of three years subject to the necessary consultation with staff.

MAIN ISSUES

1. Coastal Fire and Rescue Services (FRS) have a statutory duty to fight fires on vessels within their area by virtue of Section 72 of the Local Government Act 1972. This confirms that the area of responsibility for Coastal Fire Authorities generally extends to the mean low water mark (MLWM) at ordinary tide. There is no statutory duty, however, for provision of offshore firefighting, beyond the MLWM, imposed on Fire Authorities. This means that there is no separate identified budget stream for this capability within the UK.

2. As a result of the 'Sea of Change' project the Maritime Coastguard Agency (MCA), supported the provision of the additional training, equipment and PPE necessary to allow fire and rescue services to respond offshore, as well as the costs of any operational deployment, which were then recoverable directly from the MCA.

3. Since the last review of the Authority decision, to support an offshore maritime response, both the MCA's funding and the interim Chief Fire Officers' Association (CFOA) National Resilience Fire & Rescue Marine Response framework have ceased operations.

4. Following cessation of the Maritime Incident Response Group (MIRG) as a result of the MCA's decision to remove funding, equipment owned by the MCA but kept by the FRSs was asset transferred to the individual FRSs. At the same time, the MCA ceased the funding of specialist training such as sea survival. Under local arrangements this equipment, maintenance and specialist training has been absorbed into the individual FRSs' revenue budgets.

5. Along with some other coastal FRSs, ESFRS was successful in identifying funding to enable it to maintain an offshore response managed under local arrangements; this has been operating in its current format since early 2012.

6. This report considers options in light of the financial challenges now facing the Service in respect of the future of the ESFRS Maritime Response Team, or to cease providing the capability altogether.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
3 February 2015

1. BACKGROUND

1.1 There is no statutory duty for provision of offshore firefighting. This means that there is no separate identified budget stream for funding this capability since the removal of MCA funding in 2012. Coastal FRSs do, however, have a statutory duty to fight fires on vessels alongside in ports and down to the mean low water mark (MLWM) at ordinary tide, by virtue of Section 72 of the Local Government Act 1972.

1.2 East Sussex Fire & Rescue Service (ESFRS) has a long history of supporting an offshore maritime response to those in distress as a result of fire on board ship. The Public Protection Committee of East Sussex County Council, at its meeting on 26 May 1994, agreed to set up a Maritime Team comprising members of the then East Sussex County Fire Brigade. Subsequently, in 2006, the Service became one of the 15 FRSs in the initial Maritime Incident Response Group (MIRG) funded by the Maritime Coastguard Agency (MCA). As of October 2010, MIRG had deployed operationally on 5 occasions with ESFRS accounting for 40% of the activity, including the first deployment after the launch of the MIRG (MV CALYPSO in May 2006). Since its inception, ESFRS has been the most operationally active FRS within the MIRG, with the last deployment being to the MV SEA CHARANTE in April 2009.

1.3 Under the MIRG arrangements, each FRS had approximately 50 MIRG-trained volunteer personnel as part of a standard emergency offshore response. Each participating FRS had a Memorandum of Understanding (MoU) with the MCA, and all equipment and training was standardised across all 15 MIRG FRSs.

1.4 The MCA supported the provision of the additional training, equipment and personal protective equipment (PPE) necessary to allow operational personnel to respond offshore. The costs of any operational deployment were recoverable directly from the MCA. This funding was primarily for the transportation of personnel who responded via helicopter to incidents, and included sea survival, helicopter underwater escape training (HUET), helicopter winching and ship-to-ship transfer.

1.5 A review carried out in 2010 on behalf of the MCA concluded that, for a proposed reasonable worst case scenario of a passenger vessel fire that potentially needs to be controlled for up to two days, has the potential to cause loss of life, and cannot be contained by the ship’s finite resources, the following risk applies:

“The Civil Contingencies Act Guidance on Emergency Preparedness states that an incident with a likelihood of 1 in 200 over a 5 year period (equivalent to 1 in 1000 per year where the incident rate is constant) is described with a likelihood of Level 3 - Unlikely. The Guidance indicates that, for the reasonable worst case scenario, with a likelihood of ‘Unlikely’ and an impact of ‘Significant’ (since it is a transport accident that would result in more than 10 fatalities), the risk classification of this scenario is ‘Very High Risk’.

The definition of 'Very High Risk' is given as follows:

"These are classed as primary or critical risks requiring immediate attention. They may have a high or low likelihood of occurrence, but their potential consequences are such that they must be treated as a high priority. This may mean that strategies should be developed to reduce or eliminate the risks, but also that mitigation in the form of (multi-agency) planning, exercising and training for these hazards should be put in place and the risk monitored on a regular frequency. Consideration should be given to planning being specific to the risk rather than generic".

1.6 In addition, the review estimated that the probability of an incident requiring a response 'at sea' is greater than 1 in 15 per year for each section of coast, with South East England having the highest estimated incident probability of 1 in 3 per year.

1.7 In December 2011, the Department of Transport and MCA indicated that they would no longer be financially supporting MIRG. This was on the basis that their statutory duty only extends to the initiation and co-ordination of civil maritime search and rescue for persons in distress on the sea, as detailed in the Coastguard Act 1925.

1.8 At the time, no national funding was available through the DCLG, so East Sussex Fire Authority agreed to identify local funding. This was seen as an interim arrangement until further funding streams could be identified which would secure the national framework arrangement. As a result a number of Fire Authorities removed funding for their local provision to support an offshore national response.

1.9 To finance the additional burden of specialist training and maintenance of the transit equipment, the Authority established an earmarked reserve intended to fund this activity for 3 years. There is also base budget provision of £51,000 for the Maritime Response Team.

2. IRMP PHASE 3 'REVIEW THE PROVISION OF OFFSHORE MARITIME RESPONSE'

2.1 The report identifies a range of options for the Fire Authority to consider in relation to the future provision of an offshore response capability:

Option 1 – Maintaining existing offshore maritime capability

2.2 For ESFRS to maintain a fully funded Maritime Response Team (MRT) at its present establishment with team members drawn from Newhaven Community Fire Station and Barcombe Community Fire Station, which will see average annual costs of approximately £81,000 p.a., including additional costs of £3,000 for storage of equipment which cannot be accommodated within the new Newhaven Fire Station

2.3 Currently, approximately 65% of the annual costs of provision of the capability is met from existing revenue budgets, and approximately 35% is drawn down from reserves (to cover the costs of equipment £16,000 and overtime £11,000). Costs will continue to be accrued as station based team members will continue to receive the maritime allowance and there will also be a continuing burden on the training budget as staff maintain specialist competencies.

Option 2 – Reduce the size of the Maritime Response Team and introduce a range of efficiency measures

2.4 For ESFRS to revert to a team wholly centred at Newhaven Community Fire Station to ensure a cadre of 36 personnel (including officers). This will ensure that the response arrangements take full advantage of those trained personnel most closely located to the marshalling area (Newhaven Fire Station).

2.5 The team will comprise 26 strike team members (Firefighter to Watch Manager) and 10 officers who will take command responsibilities at sea, liaison duties with the MCA and Principal Officer support.

2.6 The removal of the availability allowance paid to the 9 MRT personnel at Barcombe would reduce the associated budget, saving £5,000 per annum. Additionally, spend on overtime is expected to reduce by £4,000.

2.7 This, in turn, would reduce the requirement of sea survival and HUET training. In addition, HUET training will now only be conducted once every 4 years, in line with North Sea oil rig operations, saving £3,000 per annum.

2.8 Reduction of equipment provision to 18 sets of transit PPE would identify a net saving of £2,000 per annum (presently funded from reserves).

Option 3 – Cease to provide an offshore maritime response capability

2.9 That ESFRS cease to provide a Maritime Response Team, saving £81,000 per annum. As a result the team would not be available to deploy as part of a wider attendance to incidents below the low water mark, such as attendance at pier fires, or the incidents off Beachy Head.

2.10 Ceasing to provide this capability will not affect the Service's ability to meet its statutory duty in relation to dealing with ship fires alongside in harbour, however, the MRT does provide an additional level of expertise to incidents such as those indicated in 2.9 above.

3. LEGISLATIVE CONTEXT NATIONAL/REGIONAL POSITION

3.1 There is no statutory duty within the UK for a response to fires on vessels 'at sea' where 'at sea' is defined as 'tidal rivers and estuaries where the significant wave height could not be expected to exceed 2.0m at any time, or seaward of these waters[1]'. However, the FRS Act 2004 confers powers on Local Authority Fire Services where they may make provision for dealing with incidents that occur outside of their area, e.g. 'at sea'.

3.2 There is a statutory requirement for FRSs to fight fires on ships secured alongside at established docks and jetties.

[1] FRS Circular 35/2004

3.3 The MCA is responsible for the initiation and co-ordination of civil maritime search and rescue within the United Kingdom search and rescue region. This includes the mobilisation, organisation and tasking of adequate resources to respond to persons either in distress at sea, or to persons at risk of injury or death on the cliffs or shoreline of the UK. There is, however, no specific requirement identified relating to the provision of a dedicated capability to deal with fire, chemical hazards and industrial accidents at sea placed on the MCA.

3.4 There are 9 FRSs across the UK that currently fund the arrangement for offshore response with Kent, East Sussex and Hampshire being located in the South East Region. **Note** Hampshire will only operate within their SOLFIRE plan (i.e. in the waters of the Solent and off the Isle of Wight).

3.5 The recovery of costs in relation to an operational incident remains an extremely complex legal area with individual FRSs having to engage with ships' owners, insurers and salvors in order to progress any claims. The Merchant Shipping Act 1995 is the basis on which the MCA recovers costs associated with maritime incidents and The Merchant Shipping and Maritime Security Act 1997 allows the Fire Service to reclaim costs from whoever calls them out to an incident. In practice this is usually the MCA as they would still task a FRS to attend. The FRS could also reclaim the costs from the ship's owner (or insurer), if the MCA refuse to act.

3.6 Section 18A of the Fire and Rescue Services Act 2004, inserted by the Localism Act 2011, states that 'a fire and rescue authority in England may charge a person for any action taken by the authority – (a) in the UK or at sea or under the sea'. It is currently unclear how this may be applied in relation to the provision of training, equipment and management structures prior to any action undertaken or the extent to which any limits on charging may be imposed e.g. Section 18 B (4) 'does not authorise charging for rescuing individuals from serious harm, in the event of an emergency'.

4. FUTURE RISKS FOR CONSIDERATION

4.1 Future development and use of Newhaven Harbour

4.2 Rampion Wind Farm

4.3 The recent decision by the Planning Inspectorate to consent to the Rampion offshore wind farm project has been welcomed by the Newhaven Port & Properties Group. E.ON, who will build and operate the wind farm, had already agreed Newhaven was the preferred port to establish its operations and maintenance base. This base will be operating for approximately 50 years.

4.4 However, the E.ON group based in Germany will not make its final decision to proceed with the Rampion project until the first quarter of this year. The UK Government has also been reducing its grant levels across the renewable energies; therefore E.ON (UK) may be forced to find another renewables company to work in partnership with before the project can proceed.

4.5 In the meantime, Newhaven Port & Properties (NPP) has been unable to secure the funding to proceed with the work to deepen the channel to allow the port to be made accessible to larger ships from across the world. Due to this, additional shipping will still enter the port during the proposed construction phase (starting October 2015) but these will be carrying smaller size components. The larger components will be delivered to the Rampion site by larger vessels from mainland Europe.

4.6 **Note**: Wind farm operators have to consider and provide protocols and capabilities to deal with emergency events on their sites. At this time, the CFOA Fire & Rescue Marine Response Group has not been tasked to develop and provide a capability for any such operator.

4.7 Additional capacity and infrastructure at Newhaven

4.8 Work is to be carried out at Newhaven port to improve the current infrastructure and a new Port Control building will be built. Three hectares of land will be cleared at the south end of the East Quay to assist in managing cargoes; this work is due to complete around October 2015. It is hoped that, in time, this land can give access to a deep water quay (existing infrastructure) which will bring in much needed income to the port. A number of companies have expressed an interest in using this quay.

4.9 Newhaven – Dieppe Ferry

At the time of writing, the future of the ferry service between Newhaven and Dieppe is being considered. It is likely the operator (DFDS) will continue to offer a ferry service on this route and that the operator may wish to utilise both of its ferries simultaneously on this route as the business demands from freight and passengers is great enough to allow this. This would effectively double the number of sailings each day.

4.10 **CFOA Marine Response Group**

4.11 FRS resilience for responding to an incident in the maritime domain is overseen by the CFOA Marine Response Group which provides declared resources to the MCA to assist in responding to incidents at sea around the UK. This includes supporting other FRSs as an assisting service and provides the reassurance that intra-operable resources would be available to support any response off the East Sussex coastline.

4.12 To ensure national interoperability and enhanced resilience for dealing with incidents in the maritime domain, ESFRS would support the CFOA Marine Response cadre which provides a nationally declared capability to the MCA where individual FRSs agree to support each other in dealing with large or complex incidents.

4.13 This capability provides for a range of response options 'at sea' from UK FRS including firefighting, technical rescue, chemical incidents and support for counter-terrorism incidents.

5. CONSULTATIONS

5.1 Consultation has taken place with the following:

- Treasurer to the Fire Authority
- CFOA Marine Response Group
- Deputy Chief Fire Officer
- Director of Response & Resilience
- Head of L&OD
- Head of Engineering
- Newhaven Port Authority

5.2 The Service has discussed options for the future of the Service's Maritime Response Group with those staff who provide our Team following the previous review undertaken in 2012. Should the Fire Authority agree with the recommendation of officers then further consultation will need to take place with staff affected by the decision.

6. HEALTH & SAFETY ISSUES

6.1 ESFRS has a foreseeable risk in that there may be a request for an offshore response to ships located near our coastline, or for operational activity at/near the coastal strip, such as for pier fires and ship fires in port. These individual responses require the deployment of specifically trained personnel currently provided at Newhaven and Barcombe Fire Stations. The risks associated with these deployments will need to be reconsidered pending the Fire Authority decision on this report.

7. EQUALITY & DIVERSITY IMPLICATIONS

7.1 The organisation has undertaken an equality impact assessment which is available on the website, in the Members' Room, or on request to the Clerk to the Fire Authority.

8. IMPACT ASSESSMENTS CONSIDERED

8.1 POLITICAL

8.2 The Fire Authority will wish to consider any political or public expectations placed on a coastal FRS should an incident occur off the coast of East Sussex or Brighton & Hove. The balancing of local services and the cost of provision that also support the 'national interest' may be a factor in determining the appropriate level of provision in the future.

9. LEGAL

9.1 There is no statutory duty imposed on East Sussex Fire Authority to provide a response to fires 'at sea'.

10. FINANCIAL IMPLICATIONS

10.1 Each of the options to be considered by this report have financial implications that need to be considered as part of any future strategy:

10.2 The following table identifies costs and savings related to options presented:

Option	**Approximate Annual Cost**	**Saving v. Option 1**	**Revenue Budget pressure**
	£'000	**£'000**	**£'000**
Option 1 Maintain existing team	81	0	30
Option 2 Reduce size of team and introduce efficiency savings	67	14	16
Option 3 Cease operations	0	81	(51)

10.3 There is currently £51,000 in the base budget for the Maritime Response Team. Over recent years any additional costs have been funded by drawing down from an earmarked reserve, established for this purpose whilst the future of the capability was being determined. If either option 1 or 2 is chosen then the medium term revenue funding of the service will need to be addressed, as it will no longer be appropriate to fund it through the use of reserves. On this basis Option 2, which is the recommended option, would require an additional £16,000 of base budget provision whilst option 1 would require £30,000 of additional base budget provision. Any remaining balance on the earmarked reserve (currently £95,000) could be reallocated for other purposes. The 2015/16 draft Revenue Budget proposals have been constructed to reflect option 2 as recommended.

Agenda Item No. 835

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title of report:	**Fire Authority Treasury Management Strategy 2015/16**
By:	**Treasurer**
Purpose of report:	**To approve the treasury management strategy, policy statement and the Minimum Revenue Provision (MRP) Statement 2015/16.**

RECOMMENDATION: The Fire Authority is recommended to:

i approve the treasury management strategy and policy statement for 2015/16 (and adopted for the remainder of 2014/15);

ii. determine that for 2015/16 the Authorised Limit for borrowing shall be £13.831m;

iii. adopt the prudential indicators as set out in the attached Appendix 2; and

iv. approve the Minimum Revenue Provision (MRP) Statement for 2015/16 as set out in the attached Appendix 3.

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1. <u>MAIN ISSUE</u>

1.1 This report contains recommendations about the borrowing limits, the prudential indicators and limits, the investment strategy and policy as required by Section 3 (1) of the Local Government Act 2003 and the Prudential Code for Capital Finance 2004.

1.2 The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the proposed capital programme and revenue budget dealt with elsewhere on the agenda. As will be clear from the global events, it is impossible in practical terms to eliminate all credit risk. The Fire Authority seeks to be prudent.

1.3 The Authority is recommended to approve borrowing limits to give flexibility for any future consideration in undertaking new external long-term / replacement borrowing should the need arise or market conditions prove favourable.

1.4 The 2015/16 counterparty list for specified and non-specified investment is set out in the Appendices 4 and 6.

1.5 The Fire Authority has always adopted a prudent approach on its investment strategy and, in the last few years, there have been regular changes to the list of the approved organisations used for investment of short term surpluses. This list is regularly reviewed to ensure that the Authority is able to invest at the best available rates consistent with low risk, and the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained. The 2015/16 strategy continues the prudent approach and ensures that all investments were only to the highest quality rated banks and only up to a period of one year.

1.6 The Authority is recommended to approve an increase in investment with any approved counterparty from £3m to £4m. This allows the Authority to be more flexible with its cash balances during the year.

1.7 The background information and the calculation of the Authorised Limit for borrowing for 2015/16 of £13.831m are set out in the attached Appendix 2 (Table 8).

Prudential indicators and Treasury Management indicators

1.8 Self-imposed Prudential and Treasury Management indicators that are set on an annual basis are shown in Appendix 2.

1.9 The Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) statement is set out in Appendix 2 and 3 to comply with best practice.

1.10 The Treasury Management policy statement for 2015/16 remains unchanged from the current year and is set out in Section 5.

DUNCAN SAVAGE
Treasurer
3 February 2015

BACKGROUND DOCUMENTS
See Paragraph 8

1. Introduction

1.1 The CIPFA Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires authorities to set the Treasury Management Strategy Statement (TMSS) for borrowing and to prepare an Investment Strategy each financial year. CIPFA has defined Treasury Management as:

"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 This strategy takes into account the impact of the Authority's Revenue Budget, Medium Term Capital Programme and the Balance Sheet position. The Prudential Indicators and the outlook for interest rates are also considered within the strategy.

1.3 The Treasury Management Strategy for 2015-16 covers the following areas:

- economic overview (section 2);
- the treasury position (section 3);
- the borrowing strategy to finance the capital plans (section 4);
- the investment strategy(section 5);
- the Minimum Revenue Provision (MRP) strategy (section 6); and
- policy on use of external service provider (section 7);

1.4 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is shown in Appendix 1.

2. Economic Overview

2.1 The Authority uses Capita Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Table 2 below gives the Capita Asset Services' central view for short term (Bank Rate) and longer fixed interest rates.

Table 2

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60

2.2 UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 0.50% in January, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

2.3 The current economic outlook and structure of market interest rates and government debt yields have several key treasury mangement implications:

- Greece: following the general election on 25 January 2015 the Syriza party were elected on an anti-EU and anti-austerity mandate. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strenthening of anti-EU and anti-austerity political parties throughout the EU is much more difficult to quantify;

- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks, therefore, remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2015/16 and beyond;

- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 saw gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), and from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the ECB will commence quantitative easing (purchase of EZ government debt) in early 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3. **Treasury Management Position**

3.1 The Authority's projected treasury portfolio position at 31 March 2015, with forward estimates, is summarised in Table 1 below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

Table 1

	2014/15 Projected £000	**2015/16 Estimate £000**	**2016/17 Estimate £000**	**2017/18 Estimate £000**
External Borrowing				
Borrowing at 1 April	11,123	11,123	10,973	10,973
New Borrowing	-	-	-	-
Loan Redemption	-	(150)	-	(200)
Actual borrowing at 31 March	**11,123**	**10,973**	**10,973**	**10,773**
***CFR – the borrowing need**	**11,123**	**10,973**	**10,973**	**10,773**
Under/(over) borrowing	**-**	**-**	**-**	**-**

**The Authority's Capital Financing Requirement (CFR) is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Authority's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.*

3.2 Within the set of prudential indicators there are a number of key tests to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current and next two financial years.

3.3 The CFR forecast at the end of 2014/15 has reduced to £nil and then remains in line with actual borrowing, after the repayment of debt and longer-term loan redemptions. The Authority is required to repay an element of the CFR each year through a revenue charge called the minimum revenue provision (MRP).

3.4 The Authority has a number of long-term loans and could aim to reschedule these loans if interest rates increase and the premature repayment rates become favourable.

3.5 Any future loans will be arranged giving consideration to the various debt repayment options, including an Equal Instalments of Principal (EIP) arrangement, where each payment includes an equal amount in respect of loan principal. Therefore, the interest due with each payment reduces as the principal is eroded, and the total amount reduces with each instalment.

4. Borrowing Strategy

4.1 This strategy is prudent as investment returns are low and counterparty risk is high, however, as interest rates are low, the Authority may wish to take advantage of this by securing fixed rate funding and increase the over borrowed position.

4.2 The net borrowing requirement within Table 1 above shows that, based on current estimates, the Authority does not currently need to take out a significant amount of new borrowing to support the capital programme. However, any future new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts set out above. The Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Policy on Borrowing in Advance of Need

4.3 The Authority will not borrow purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

4.4 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the reporting mechanism.

Prudential & Treasury Indicators

4.5 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the CIPFA Prudential Code) when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code in early 2008 with a fully revised version being published in 2009 to incorporate changes towards implementing IFRS.

4.6 A full set of Prudential Indicators and borrowing limits is shown in Appendix 2.

Debt Rescheduling

4.7 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

4.8 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

4.9 Consideration will also be given to identifying if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

4.10 All debt rescheduling will be agreed by the Treasurer.

Sensitivity of the Forecast and Risk Analysis

4.11 Treasury management risks are identified in the Authority's approved Treasury Management Practices; the main risks to the Authority's treasury activities are:
- liquidity risk (inadequate cash resources);
- market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
- inflation risks (exposure to inflation);
- credit and counterparty risk (security of investments);
- refinancing risks (impact of debt maturing in future years); and
- legal and regulatory risk (non-compliance with statutory and regulatory requirements, risk of fraud).

4.12 Officers, in conjunction with the treasury advisers, will monitor these risks closely. Particular focus will be applied to:

- the global economy – indicators and their impact on interest rates will be monitored closely. Investment and borrowing portfolios will be positioned according to changes in the global economic climate; and
- counterparty risk – the Authority follows a robust credit worthiness methodology and continues to monitor counterparties and sovereign ratings closely particularly within the Eurozone.

5. Investment Strategy

5.1 The Authority's investment policy has regard to the CLG's Guidance on Local Government Investments (the Guidance), the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Capita Asset Services Guidance Notes (including CIPFA TM Code). The Authority's investment priorities will be security first, liquidity second, and then return.

5.2 Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

5.3 Investment instruments identified for use in the financial year are listed in section 5.15 and 5.18 under the 'Non-Specified and Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

Credit worthiness Policy

5.4 Officers regularly review the investment portfolio, counterparty risk and construction, market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets

5.5 Additionally, the Authority will make use of the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit default swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

5.6 The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative credit worthiness of counterparties. These colour codes are used by the Authority to determine the duration for investments. The strategy provides scope to invest in AAA rated foreign banks. However, the Authority proposes to only use counterparties (Appendix 6) within the following durational bands that are domiciled in the UK.

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour, not to be used

Y	*P*	*B*	*O*	*R*	*G*	*N/C*
Up to 2yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 mths*	*Up to 100days*	*No Colour*

5.7 The Capita Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

5.8 Typically the minimum credit ratings criteria the Authority use, will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.9 All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services credit worthiness service.

- If a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

5.10 The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified investment sections; and
- It has sufficient liquidity in its investments.

5.11 The Capita Asset Services methodology was revised in October 2013 and determines the maximum investment duration under the credit rating criteria. Key features of Capita Asset Services credit rating policy are:

- a mathematical based scoring system is used taking ratings from all three credit rating agencies;
- negative and positive watches and outlooks used by the credit rating agencies form part of the input to determine a counterparty's time band (i.e. 3, 6, 9, 12 months etc.).
- CDS spreads are used in Capita Asset Services creditworthiness service as it is accepted that credit rating agencies lag market events and thus do not provide investors with the most instantaneous and "up to date" picture of the credit quality of a particular institution. CDS spreads provide perceived market sentiment regarding the credit quality of an institution.
- After a score is generated from the inputs a maximum time limit (duration) is assigned and this is known as the Capita Asset Services colour which is associated with a maximum suggested time boundary.

5.12 The Capita Asset Services colours and the maximum time periods are shown para 5.5 above. In the Capita Asset Services methodology if counterparty has no colour then they are not recommended for investment and this would remove these counterparties from the Authority's counterparty list.

5.13 Whilst the Capita Asset Services methodology categorises counterparty time limits up to two years, the Authority's policy remains only to make investments up to a maximum of one year.

Country Limits

5.14 The Authority has determined that it will only use approved counterparties based in the UK.

5.15 The UK continues to enjoy an AA+ sovereign rating. However the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years.

Specified Investments

5.16 An investment is a specified investment if all of the following apply:

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 1 year);
- the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- the investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
    - The United Kingdom Government;
    - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;
    - High credit quality is defined as a minimum credit rating as outlined in section 5.15 of this strategy.

5.17 **The use of Specified Investments -** Investment instruments identified for use in the financial year are as follows:

- Table 3 below sets out the types of investments that fall into each category, counterparties available to the Authority, and the limits placed on each of these. A detailed list of each investment type is available in the Treasury Management Practices guidance notes;

5.18 Criteria for Specified Investments:

Table 3

<table>
<tr><th>Counterparty</th><th>Country/ Domicile</th><th>Instrument</th><th>Maximum investments</th><th>Max. maturity period</th></tr>
<tr><th colspan="5">Counterparties in UK</th></tr>
<tr><td>Debt Management and Depost Facilities (DMADF)</td><td>UK</td><td>Term Deposits</td><td>unlimited</td><td>1 yr</td></tr>
<tr><td>Government Treasury blls</td><td>UK</td><td>Term Deposits</td><td>unlimited</td><td>1 yr</td></tr>
<tr><td>Local Authorities</td><td>UK</td><td>Term Deposits</td><td>unlimited</td><td>1 yr</td></tr>
<tr><td>RBS/NatWest Group
• Royal Bank of Scotland
• NatWest</td><td>UK</td><td rowspan="6">Term Deposits (including callable deposits), Certificate of Deposits</td><td>£4m</td><td>1 yr</td></tr>
<tr><td>Lloyds Banking Group
• Lloyds Bank
• Bank of Scotland</td><td>UK</td><td>£4m</td><td>1 yr</td></tr>
<tr><td>Barclays</td><td>UK</td><td>£4m</td><td>1 yr</td></tr>
<tr><td>Santander UK</td><td>UK</td><td>£4m</td><td>1 yr</td></tr>
<tr><td>HSBC</td><td>UK</td><td>£4m</td><td>1 yr</td></tr>
<tr><td>Individual Money Market Funds</td><td>UK/Ireland/ domiciled</td><td>AAA rated Money Market Funds</td><td>£4m</td><td>Liquidity/instant access</td></tr>
</table>

Non Specified Investments

5.18 The Fire Authority does not have any Non Specified Investments which are ones of more than one-year maturity or with institutions which have a lesser credit quality.

Investment Position and Use of Authority's Resources

5.19 Investment returns expectations**.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2014/15 0.50%
- 2015/16 0.70%
- 2016/17 1.25%
- 2017/18 2.00%

5.20 There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

5.21 The Capita Asset Services suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%

5.22 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

5.23 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates (i.e. rates for investments up to 12 months).

5.24 For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

6. **Minimum Revenue Provision**

6.1 The Authority is required to repay an element of the CFR through a revenue charge (MRP), although it is also allowed to undertake additional voluntary payments if required.

6.2 CLG Regulations have been issued which require the Fire Authority to approve an MRP Statement in advance of each year. A variety of options is provided to authorities, so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3.

6.3 The Authority, in conjunction with its Treasury Management advisors, has considered the MRP policy to be prudent.

7. **Policy on the use of External Service Providers**

7.1 The Authority uses Capita Asset Services as its external treasury management advisors.

7.2 The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

7.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8. **Background Documents**

Fire Authority
14 February 2014 Treasury Management Strategy for 2014/15
5 June 2014 Treasury Management Stewardship Report 2013/14
Policy & Resources Panel
13 November 2014 Half year review for 2014/15
CIPFA Prudential Code
CIPFA Treasury Management in the Public Services - Code of practice
Local Government Act 2003 Local Government Investments - Guidance from the former Office of the Deputy Prime Minister

9. List of Appendices

Appendix 1: Treasury Management Scheme of Delegation
Appendix 2: The Prudential & Treasury Indicators
Appendix 3: Minimum Revenue Provision (MRP) Policy Statement
Appendix 4: Approved countries for investment
Appendix 5: Comment from Capita Asset Services on the outlook for 2014/15
Appendix 6: New Counterparty list

APPENDIX 1

Treasury Management Scheme of Delegation

1. Fire Authority

1.1 In line with best practice, The Fire Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are:

a) **Prudential and Treasury Indicators and Treasury Strategy (This report)**
The first and most important report covers:
- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

b) **A Mid-Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and indicating whether the treasury strategy is meeting the strategy or whether any policies require revision.

c) **An Annual Treasury Management Stewardship Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2. The Treasury Management Role of the Section 151 Officer

2.1 The Section 151 (responsible) Officer:
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.

3. Training – Treasury Management training for Authority members will be delivered as required to facilitate more informed decision making and challenge processes.

APPENDIX 2

1. **The Prudential and Treasury Indicators**

1.1 The Fire Authority's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

1.2 **Capital Expenditure**. This prudential Indicator shows the Authority's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. Capital expenditure excludes spend on PFI and leasing arrangements, which are now shown on the balance sheet.

1.3 The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Table 5

Description	**2014/15 Projected**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
Capital Expenditure	2.800	5.855	2.784	1.645	2.070
Financed by:					
Capital receipts	(0.114)	(3.801)	(0.649)	(1.017)	(1.639)
Capital grants	(2.089)	-	-	-	-
Contributions	(0.152)	(0.672)	(0.011)	-	-
Revenue Financing	-	(1.087)	(0.935)	(0.389)	-
Capital Reserves	-	-	(0.750)	-	-
Net financing need for the year	**0.445**	**0.295**	**0.439**	**0.239**	**0.431**

1.4 The Authority's borrowing need (the Capital Financing Requirement) - The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

1.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

1.6 Following accounting changes, the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought on the balance sheet. Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility and so the Authority is not required to separately borrow for these schemes. As of 31st March 2013 the Authority had no finance leases or PFI Schemes.

Table 6

	2014/15 Projected	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
Capital Financing Requirement					
	£m	**£m**	**£m**	**£m**	**£m**
Opening CFR	11.122	11.123	10.973	10.973	10.773
Net Financing (as above)	0.445	0.295	0.439	0.239	0.431
MRP	(0.444)	(0.445)	(0.439)	(0.439)	(0.431)
Closing CFR	**11.123**	**10.973**	**10.973**	**10.773**	**10.773**

1.7 **The Operational Boundary.** This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Table 7

Description	**2014/15 Projected**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
Borrowing	11.591	11.441	11.441	11.241	11.241
PFI/Leases	-	-	-	-	-
Total	**11.591**	**11.441**	**11.441**	**11.241**	**11.241**

1.8 **The Authorised Limit for external borrowing**. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all authority's plans, or those of a specific authority, although this power has not yet been exercised; and
- The Authority is asked to approve the following Authorised Limit:

Table 8

Description	**2014/15 Projected**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
Borrowing	13.981	13.831	13.831	13.631	13.631
PFI/Leases	-	-	-	-	-
Total	**13.981**	**13.831**	**13.831**	**13.631**	**13.631**

2. Treasury Management Limits on Activity

2.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

- upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Table 9

	2015/16	**2016/17**	**2017/18**
Interest rate exposures	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt*	100%	100%	100%
Limits on variable interest rates based on net debt*	0%	0%	0%
*Net debt is borrowings less investments			
Maturity structure of fixed interest rate borrowing 2015/16			
		Lower	**Upper**
Under 12 months		0%	25%
12 months to 2 years		0%	40%
2 years to 5 years		0%	60%
5 years to 10 years		0%	80%
10 years to 20 years		0%	80%
20 years to 30 years		0%	80%
30 years to 40 years		0%	80%
40 years to 50 years		0%	80%

2.2 **Affordability Prudential Indicators -** The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

2.3 **Actual and estimates of the ratio of financing costs to net revenue stream**. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 10

Description	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	%	%	%	%	%
Ratio	2.21	2.19	2.28	2.33	2.36

2.4 **Estimates of the incremental impact of capital investment decisions on council tax**. This indicator identifies the revenue costs associated with proposed changes to the four year capital programme recommended in this budget report compared to the Authority's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a four year period.

2.5 **Incremental impact of capital investment decisions on the band D council tax**

Table 11

Description	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£	£	£
Council tax – Band D	0.00	0.02	0.10

3. **Treasury Management Budget**

Table 12

Description	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Interest Payable	0.514	0.510	0.506	0.504	0.504
Interest Receipts	(0.052)	(0.075)	(0.075)	(0.075)	(0.075)
Minimum Revenue Provision	0.444	0.445	0.439	0.439	0.431
TOTAL	**0.906**	**0.880**	**0.870**	**0.868**	**0.860**

APPENDIX 3

Minimum Revenue Provision Policy Statement

1. Policy Statement

1.1 The statutory requirement for local authorities to charge the Revenue Account each year with a specific sum for debt repayment has been replaced with a more flexible statutory guidance. A variety of options is provided to authorities to replace the existing Regulations, so long as there is a prudent provision.

1.2 The statutory duty is that a local authority shall determine for the financial year an amount of minimum revenue provision (MRP) that it considers to be prudent. This replaces the previous prescriptive requirement that the minimum sum should be 4% of the Authority's Capital Financing Requirement (CFR).

1.3 To support the statutory duty the Government also issued a guidance, which requires that a Statement on the Authority's policy for its annual MRP should be submitted to the Fire Authority for approval before the start the financial year to which the provision will relate. The Authority is therefore legally obliged to have regard to this MRP guidance in the same way as applies to other statutory guidance such as the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG guidance on Investments.

1.4 The MRP guidance offers four options under which MRP might be made, with an overriding recommendation that the Fire Authority should make prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

1.5 The guidance also requires an annual review of MRP policy being undertaken and it is appropriate that this is done as part of this Annual Treasury Management Strategy.

1.6 The move to International Financial Reporting Standards (IFRS) involves Private Finance Initiative (PFI) contracts and potentially some leases (being reclassified as finance leases instead of operating leases) coming onto the Balance Sheet as long term liabilities. The accounting treatment would impact on the Capital Financing Requirement with the result that an annual MRP provision would be required.

1.7 To ensure that this change has no overall financial impact on Local Authorities, the Government has updated their "Statutory MRP Guidance" which allows MRP to be equivalent to the existing lease rental payments and "capital repayment element" of annual payments to PFI Operators. There are no implications for the Authority's MRP policy for 2015/16.

1.8 The policy recommended for adoption from 1 April 2014 retains the key elements of the policy previously approved but now incorporates the IFRS changes (re PFI and finance leases) and the consequential updated Government Guidance. The policy for 2015/16 is therefore as follows:-

1.9 For capital expenditure incurred before 1 April 2008 or which in the future will be Government Supported Capital Expenditure, the MRP policy will be:

- Based on based on the non-housing CFR, i.e., The Authority currently set aside a Minimum Repayment Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR.

1.10 From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option will be applied for any expenditure capitalised under a Capitalisation Direction).

- Asset Life Method (annuity method) – The Authority will also be adopting the annuity method, - MRP calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. The policy is being adopted as a result of any PFI's assets coming on the balance sheet and any related MRP will be equivalent to the "capital repayment element" of the annual service charge payable to the PFI Operator and for finance leases, MRP will also be equivalent to the "capital repayment (principal) element" of the annual rental payable under the lease agreement. It should be noted that the Authority do not currently have any PFI assets or finance leases.

Under both methods, the Authority has the option to charge more than the statutory MRP each year through a Voluntary Revenue Provision (VRP).

1.11 This approach also allows the Authority to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset becomes operational rather than in the year borrowing is required to finance the capital spending. This approach is beneficial for projects that take more than one year to complete and is therefore included as part of the MRP policy. Half-yearly review of the Authority's MRP Policy will be undertaken and reported to Members as part of the Half-yearly Treasury Management Strategy review.

APPENDIX 4

Illustrative list of Approved Countries for Investments

The list below shows the countries that would currently meet these criteria:

AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- U.K.

Note: There are other three countries with AA+, but the Authority will only be using UK because of the best understanding of the UK market.

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APPENDIX 5

Capital Assets Services (our Treasury advisors) on the Economic Background outlook for 2015/16

1. The Global Economy

1.1 **The Eurozone**. The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

1.2 **USA.** The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

1.3 **China.** Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

1.4 **Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

2. The UK Economy

2.1 **Economic growth.** After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

2.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

3. **Capita Asset Services forward view**

3.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.3.2 Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid-October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

3.2 The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries.

3.3 Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

3.4 The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas. The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

3.5 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

3.6 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.
- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Appendix 6 - Counterparty list Banks	Country	Fitch Ratings				Moody's Ratings			S & P Ratings		CDS Price	Fire Authority Duration (Months)	Capita Duration Limit (Months)	Money Limit (£m)
		L Term	S Term	Viab.	Supp	L Term	S Term	FSR	L Term	S Term				
Lloyds Banking Group:														4
Lloyds Bank Plc	UK	A	F1	a-	1	A-	P-1	C-	A	A-1	51.5	12	12	
Bank of Scotland	UK	A	F1	a-	1	A1	P-1	C-	A	A-1	-	12	12	
RBS/NatWest Group:														4
NatWest Bank	UK	A	F1	bbb	1	Baa1	P-2	D+	A-	A-2	-	12	12	
Royal Bank of Scotland	UK	A	F1	bbb	1	Baa1	P-2	D+	A-	A-2	54.5	12	12	
HSBC Bank	UK	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+	46.7	12	12	4
Barclays Bank	UK	A	F1	a	1	A2	P-1	C-	A	A-1	52.5	6	6	4
Santander UK plc (not Spanish Santander)	UK	A	F1	a	1	A2	P-1	C-	A	A-1	-	3	3	4

Agenda Item No. 836

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title:	**Pay Policy Statement for 2015/16**
By:	**Monitoring Officer**
Purpose of Report:	**To approve the Fire Authority's Pay Policy statement for the period 1 April 2015 to 31 March 2016.**

RECOMMENDATION: The Fire Authority is asked to approve the Pay Policy Statement set out in Appendix 1.

MAIN ISSUES

1. The Localism Act 2011 imposes a duty on relevant local authorities to prepare pay policy statements for each financial year, beginning with 2012/13. The statement must be approved by 31 March 2015.

Abraham Ghebre-Ghiorghis
MONITORING OFFICER

17 January 2015

1. BACKGROUND

1.1 In the Coalition Agreement, the Government made a commitment to strengthen councillors' powers to vote on large salary packages for council officers. Additionally, the Government has taken steps to increase transparency about how taxpayers' money is used, including in the pay of public sector staff. On 29 September 2011, the Secretary of State published the Code of Recommended Practice for Local Authorities on Data Transparency. The Code enshrines the principles of transparency and asks public bodies to follow the principles when publishing data; responding to public demand; releasing data in open formats available for re-use and releasing data in a timely way. This includes data on senior salaries and the structure of the workforce. In June 2010, the Government asked Will Hutton to undertake an independent review of Fair Pay in the public sector. His report was published in March 2011 and made several recommendations for promoting pay fairness in the public sector. Chapter 8 of Part 1 of the Localism Act 2011 (the Act) brings those strands together.

1.2 Section 38 of the Act places a requirement on a relevant authority (which term includes a Combined Fire Authority) to prepare a pay policy statement for the financial year 2012-13 and each subsequent financial year. A pay policy statement must set out the authority's policies for the financial year relating to:

- The remuneration of its chief officers
- The remuneration of its lowest paid employees
- The relationship between the remuneration of its chief officers and that of other employees who are not chief officers.

The statement must include the definition of 'lowest paid employees' adopted by the authority for the purposes of the statement, together with the authority's reasons for adopting that definition.

1.3 The statement must include the authority's policies relating to:

- The level and elements of remuneration for each chief officer
- Remuneration of chief officers on recruitment
- Increases and additions to remuneration for each chief officer
- The use of performance-related pay for chief officers
- The use of bonuses for chief officers
- The approach to the payment of chief officers on their ceasing to hold office under or being employed by the authority, and
- The publication of and access to information relating to the remuneration of chief officers.

It may also include the authority's policies for the financial year relating to other terms and conditions applying to its chief officers.

1.4 The term remuneration in relation to a chief officer is defined by the Act as:

- The chief officer's salary or, in the case of a chief officer engaged by the authority under a contract for services, payments made by the authority to the chief officer for those services
- Any bonuses payable by the authority to the chief officer
- Any charges, fees or allowances payable by the authority to the chief officer
- Any benefits in kind to which the chief officer is entitled as a result of the chief officer's office or employment
- Any increase in or enhancement of a chief officer's pension entitlement where the increase is as a result of a resolution of the authority, and
- Any amounts payable by the authority to the chief officer upon the chief officer ceasing to hold office under or being employed by the authority, other than amounts that may be payable by virtue of any enactment.

1.5 The Act prevents approval of a pay policy statement being delegated by the Authority to a Panel. The Fire Authority's first pay statement was approved and published in accordance with the guidance by 31 March 2012.

1.6 The Authority is asked to approve the Statement attached as Appendix 1, which has been drawn up with due regard to all relevant guidance and last year's policy.

APPENDIX 1

EAST SUSSEX FIRE AUTHORITY PAY POLICY STATEMENT 2015-16

1. Introduction

1.1 In accordance with the Localism Act 2011 (Chapter 8 Sections 38 to 43), East Sussex Fire Authority is required to produce a pay policy for the financial year 2012/13 and each subsequent financial year.

1.2 Any decision under powers delegated in the Authority's Constitution with regard to remuneration to be taken in 2015/16 will be bound by, and must comply with, this Statement.

1.3 The Assistant Chief Officer (POD) must be consulted prior to any decision impacting on remuneration where there is any question regarding compliance with the Statement.

1.4 In general terms, the Fire Authority recognises terms and conditions negotiated nationally by the National Employers with the National Employees' bodies for 3 distinct staff groups. These are:

1.4.1 National Joint Council for Brigade Managers (referred to within East Sussex Fire Authority as Principal Officers) of Local Authority Fire and Rescue Services (commonly referred to as 'Gold Book')

1.4.2 National Joint Council for Local Government Services (commonly referred to as 'Green Book')

1.4.3 National Joint Council for Local Authority Fire and Rescue Services (commonly referred to as 'Grey Book')

1.5 Under the definitions provided for within the Act, the officers included in this pay statement are the Chief Fire Officer & Chief Executive (CFO&CE), Deputy Chief Fire Officer (DCFO), Assistant Chief Fire Officer and Assistant Chief Officer (People & Organisational Development), collectively referred to as the Principal Officers. The Treasurer is also included under these definitions as an employee of this Authority from the financial year 2013/14.

1.6 The Monitoring Officer is an employee of another Local Authority and their details are covered by a separate pay policy statement.

1.7 The Fire Authority has delegated responsibility for any local terms and conditions, including remuneration for Principal Officers, to the Principal Officer Appointments Panel.

1.8 Information relating to Principal Officers' pay and benefits in kind is found in the Fire Authority's Annual Statement of Accounts (relevant table appended to this statement) as set out in this document and on the Authority's website.

2. **Objectives of the Policy**

2.1 To ensure that the Fire Authority creates and sustains a competent, motivated and well-led workforce; to meet current and future organisational needs and to be an employer of choice with improved working practices, work life balance, personal development, health and well-being and fair pay. In its People and Organisational Development Strategy, the Fire Authority has committed to striving to achieve fairness in pay and reward structures across all occupational groups, taking into account all the employment relationships which exist.

2.2 Changes from national negotiations generally take place in January of each year (Gold Book), April (Green Book) and July (Grey Book). The Fire Authority's policy is to implement national agreements.

2.3 There was a pay increase of 1% in July 2014 for Grey Book staff and a pay increase of 2.2% in January 2015 for Green Book staff. Non-consolidated payments were made in December 2014 and April 2015 to those employees in post on 1st December 2014 between SCPs 5 and 49.

2.4 In addition to pay, the national agreements cover other terms and conditions such as annual leave and allowances for use of private vehicles on Authority business. The Authority pays car allowances in accordance with these national scales.

2.5 There are three pension schemes in existence: the Firefighters' Pension Scheme (which became closed to new entrants in 2006), the New Firefighters' Pension Scheme and the Local Government Pension Scheme.

2.6 All employees may join a pension scheme which is relevant to their occupational group. The operative schemes are statutory schemes with contributions from employers and employees.

2.7 The Local Government Pension Scheme provides for flexible retirement which was approved by the Fire Authority in 2011/12. The Firefighters' Pension Scheme allowed for re-engagement; this was introduced as an interim policy in 2008 for a fixed period to meet a specific operational requirement. This policy has now ceased.

2.8 There are two job evaluation schemes (Local Government Job Evaluation Scheme and Job Evaluation for Grey Book). These schemes do not apply to the Principal Officers whose salaries were independently evaluated by an HR Consultant in March 2010 and are single point salaries that were approved by the Fire Authority. There are three pay grades for Grey Book staff (trainee, in development and competent); and a spinal column system for Green Book staff, where the policy is to start any appointee on the lowest point of the pay grade, save for where an applicant brings specific skills or experience to a post, to a maximum of 2 points.

2.9 A lease car scheme exists on a limited basis for Principal Officers, Directors, Heads of Functions and those support staff who undertake over 4,000 business miles per annum.

2.10 Relocation packages are available to staff conditioned to the day crewing system to enable service houses to be vacated by 31st March 2015.

2.11 Professional fees and subscriptions are met where the requirement is an essential criterion of the post, irrespective of the staff group.

2.12 Delegated powers for the payment of honoraria lie with the CFO&CE. These are for special merit up to the value of £500 (excluding management posts) or for Green Book staff who temporarily undertake the full or partial duties of a higher grade post. None has been paid in the previous financial year.

3. **Individual Officers – Principal Officers**

3.1 The CFO&CE is conditioned to the Gold Book terms and conditions of service. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, a facility exists for the CFO&CE to present a case to the Panel for a salary increase based on evidence, the overall performance of East Sussex Fire & Rescue Service and an annual appraisal. A flat rate increase of £1,000.00 per annum on basic salary was applied in September 2014 effective from 1st January 2014.

3.1.1 Under the existing provisions agreed by the Fire Authority, the CFO&CE has access to either a provided car, a fully funded car leased under the ESCC leasing arrangements or a management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive the management allowance.

3.1.2 The remuneration for this post on recruitment is £135,931.

3.1.3 The CFO&CE was re-engaged in 2009 under the provisions of a Fire Authority policy that was available to all staff in the Firefighters' Pension Scheme who met a certain eligibility criteria. This was an interim policy which had a life of two years and is no longer accessible. The post holder may be eligible to join an alternative pension scheme such as the New Firefighters' Pension Scheme or Local Government Pension Scheme, subject to eligibility requirements of the scheme.

3.1.4 The relationship between the salaries of the CFO&CE and the Principal Officers is as follows: DCFO 80%, ACFO 75% and ACO 75% (less 12.5% reflecting the operational element of the salary).

3.2 The Deputy Chief Fire Officer (DCFO) is conditioned to the Gold Book terms and conditions of service and is a member of the Firefighters' Pension Scheme. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). A flat rate increase of £1,000.00 per annum on basic salary was applied in September 2014 effective from 1st January 2014.

3.2.1 Under the existing provisions agreed by the Fire Authority, the DCFO has access to either a provided car, a fully funded car leased under the ESCC leasing arrangements or management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive a provided car.

3.2.2 The remuneration for this post on recruitment is £108,943.

3.2.3 The provisions for redundancy are the statutory payments for redundancy.

3.3 The Assistant Chief Fire Officer (ACFO) is conditioned to the Gold Book terms and conditions of service and is a member of the Firefighters' Pension Scheme. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). A flat rate increase of £1,000.00 per annum on basic salary was applied in September 2014 effective from 1st January 2014.

3.3.1 Under the existing provisions agreed by the Fire Authority, the ACFO has access to either a provided car, a fully funded car leased under the ESCC leasing arrangements or management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive a management allowance.

3.3.2 The remuneration for this post on recruitment is £102,199.

3.3.3 The provisions for redundancy are the statutory payments for redundancy.

3.4 The Assistant Chief Officer (ACO) People & Organisational Development is conditioned to the Gold Book terms and conditions of service. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). An increase of 1% on basic salary per annum was applied in September 2014 effective from 1st January 2014.

3.4.1 Under the existing provisions agreed by the Fire Authority, the ACO has access to either a fully funded car leased under the ESCC leasing arrangements or management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive a management allowance.

3.4.2 The remuneration for this post on recruitment is £85,173.

3.4.3 The post holder is a member of the Local Government Pension Scheme.

3.4.4 The post holder is entitled to discretionary entitlements in relation to redundancy which include average weekly pay with a multiplier of 1.75 applied and the option to purchase additional pension through Additional Pension Contributions (APCs) to a value of £6,500. These provisions apply to all staff eligible to join the Local Government Pension Scheme.

4. **Individual Officers – Statutory Chief Officer (Treasurer)**

4.1 The Treasurer is conditioned to the Gold Book terms and conditions of service. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). An increase of 1% on basic salary per annum was applied in September 2014 effective from 1st January 2014.

4.2 The remuneration for this post on recruitment is £85,173.

4.3 The post holder is a member of the Local Government Pension Scheme.

4.4 The post holder is entitled to discretionary entitlements in relation to redundancy which include average weekly pay with a multiplier of 1.75 applied and the option to purchase additional pension through Additional Pension Contributions (APCs) to a value of £6,500. These provisions apply to all staff eligible to join the Local Government Pension Scheme.

5. **Pay Floor**

5.1 The definition of the 'lowest paid employee' is the post-holder receiving the lowest (FTE) annual salary (exclusive of Employer pension contributions), excluding Retained Firefighters.

5.2 The staff roles which fall into this category are our apprentices (two) who are employed under the national scheme and receive the minimum wage, which equates to £12,540 a year and is uplifted in accordance with the national minimum wage increases.

5.3 The next pay floor level applies to our support staff administrators, where the annual full time equivalent salary starts at £18,376.

5.4 The median pay for 2013/14 was £28,766 and for 2014/15 it is £29,054.

5.5 The pay of the CFO&CE was 8.22 times the pay of the lowest paid worker (excluding apprentices) for 2014/15.

5.6 The following table provides information about the remuneration of those senior managers who influence the decisions of the Fire Authority as a whole:

Senior Employees' Remuneration

	Year	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (including Benefit in Kind) £	Compensation of Loss of Employment £	Employer's Pension Contribution £	Total £
Chief Fire Officer & Chief Executive (Note 1)	2013/14	151,123	-	104	-	-	151,227
	2012/13	151,123	-	-	-	-	151,123
	2011/12	151,123	-	-	-	-	151,123
Deputy Chief Fire Officer	2013/14	107,943	-	-	-	22,992	130,935
	2012/13	107,943	-	-	-	22,992	130,935
	2011/12	107,791	-	-	-	22,992	130,783
Assistant Chief Fire Officer (Note 2)	2013/14	113,343	-	-	-	24,142	137,485
	2012/13	113,416	-	-	-	24,142	137,558
	2011/12	113,423	-	-	-	24,142	137,565
Assistant Chief Officer (POD) (Note 3)	2013/14	94,500	-	-	-	18,323	112,823
	2012/13	84,330	-	5,192	-	16,360	105,882
	2011/12	83,983	-	5,334	-	16,293	105,610
Assistant Chief Officer (Corporate Services) (Note 4)	2012/13	84,330	-	5,935	-	106,635	196,900
	2011/12	84,330	-	5,697	-	16,360	106,387
Treasurer (Note 5)	2013/14	59,031	-	-	-	11,452	70,483
	2012/13	2,222	-	-	-	431	2,653

Notes:

1. Pay includes a Management Allowance of 12% of annual salary.
2. Pay includes a Management Allowance of 12% of annual salary only applied in 2011/12
3. Pay includes a Management Allowance of 12% of annual salary only applied in 2013/14. The post holder has elected to receive a management allowance from April 2013 to replace the leased car for which a benefit in kind was applied and paid for by the post holder.
4. Retired on 31 March 2013. Pension Contributions includes augmentation costs of £90,275
5. Treasurer started on 18 March 2013. 0.7 FTE post £59,031 per annum. Full-time salary £84,330.

Agenda Item No. 837

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title:	**Firefighters' Pension Scheme – new governance requirements**
By:	**Chief Fire Officer & Chief Executive, Treasurer and the Monitoring Officer**
Purpose:	**To advise Members of the requirements of the Public Service Pensions Act 2013 and seek approval for the arrangements to establish a Pension Board**

RECOMMENDATION: The Fire Authority is asked to note the requirements of the Public Service Pensions Act 2013 and to comment on and approve the arrangements set out in the report to establish a local Pension Board and specifically:

(a) to approve the Terms of Reference as set out in Appendix B;

(b) to determine the approach to appointing a Chair of the Board by either agreeing to the appointment of:
- An independent Chair;
- An Authority appointed Chair; or
- A Board appointed Chair

(c) to agree to amend the Members' Allowances Scheme to extend the payment of Panel membership allowances to the local Pension Board and the payment of an allowance equivalent to the Members' Basic Allowance to an independent Chair, should one be appointed; and

(d) to delegate authority to the Chief Fire Officer & Chief Executive, in consultation with the Monitoring Officer, the Treasurer and the Chairman of the Fire Authority, to finalise the details of the establishment of the local Pension Board in line with the final statutory instrument and any further guidance issued by the DCLG or other relevant bodies.

MAIN ISSUES

1. The Public Service Pensions Act 2013 (the '2013 Act') introduces key provisions on scheme governance in relation to the Firefighters' Pension Scheme and other public service pension schemes. It provides for :
   - A 'responsible authority' which makes the regulations for the scheme – this will be the Department for Communities and Local Government.
   - A 'scheme manager' to be responsible for managing the administering the scheme – this will be the Fire Authority.

   Draft Regulations issued by DCLG as the responsible authority provide for:
   - The establishment of a new local 'pension board' to assist the scheme manager.
   - The establishment of a new national 'scheme advisory board' to provide advice to the Department for Communities & Local Government in relation to changes to the scheme and to provide advice to the scheme manager(s) and pension boards(s).

2. The report sets out a range of issues to be considered in establishing a local pensions board and invites Members to comment on these in particular:
   - a draft Terms of Reference
   - governance issues
   - membership
   - chairing
   - meetings
   - support
   - training
   - payment of allowances

Des Prichard
CHIEF FIRE OFFICER &
CHIEF EXECUTIVE

Abraham Ghebre-Ghiorghis
MONITORING OFFICER

Duncan Savage
TREASURER

2 January 2015

Background papers:
The Public Service Pensions Act 2013
Governance and administration of public service pension schemes – draft code of practice no. 14 – The Pension Regulator
Local Government Pension Scheme – Draft Guidance on the creation and operation of Local Pension Boards in England and Wales - consultation draft – Shadow Scheme Advisory Board for LGPS
Firefighters' Pension Scheme 2015: proposals for new governance arrangements – consultation draft – DCLG
The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015 – draft statutory instrument

1. WHO IS AFFECTED AND WHEN

1.1 In addition to the Firefighters' Pension Scheme, all of the main public service pension schemes will be affected by the new governance requirements, in particular, the Local Government Pension Scheme (LGPS), the NHS Pension Scheme, the Teachers' Pension Scheme, the Principal Civil Service Pension Scheme, the Armed Forces Pension Scheme, the Police Pension Scheme and the Judicial Pension Scheme.

1.2 From 1 April 2015 the Pensions Regulator will be formally responsible for setting the standards of governance and administration in relation to all of the public service schemes. The timetabling of this change is designed to coincide with the benefit changes to the main public service pension schemes in April 2015 (other than LGPS, which changed in April 2014), and the introduction of the new governance regimes for all the schemes.

1.3 The Pensions Regulator has published a draft code of practice for the administration of public service pension schemes (the Code) which was laid before Parliament on 12 January 2015 and DCLG are consulting on a statutory instrument (the SI) to establish new governance arrangements for the Firefighters' Pension Scheme (a copy of this along with the Authority's response to this is attached as Appendix A). In addition we understand that the LGA's new Fire Pensions adviser will be producing practical guidance for fire authorities on establishing a FPS Pension Board (the Board) but this is not likely to be available until after the final regulations are laid before Parliament later in March 2015.

2. HOW WILL THE NEW ROLES WORK IN PRACTICE

2.1 For the Firefighters' Pension Scheme, the Fire Authority will be the scheme manager, although in practice much of the day to day administration may be outsourced to a third party, in our case to East Sussex County Council / South East Shared Services. However, the new Pension Board will be a completely new entity separate to the scheme manager. DCLG's expectation is that there will be one local pension board per scheme manager. There may be scope for establishing joint boards but only where the function of scheme manager is wholly or mainly shared between two or more authorities. The draft Regulations impose a duty on each scheme manager to establish a pension board. As the Regulations are unlikely to come into force until 1 April 2015, there is no need to establish the Board before that date. However, once the duty has been imposed, the Board should be established without delay.

3. SCHEME MANAGER

3.1 As part of managing and administering its fund within the Firefighters' Pension Scheme, each Fire Authority will be required to :

- Manage risks and ensure there are adequate controls
- Keep records and ensure the quality of member data
- Ensure the correct contributions are paid into the scheme
- Manage conflicts of interest
- Publish information about the local pension board
- Communicate information to scheme members
- Resolve disputes and report certain breaches of law

4. **PENSION BOARD**

4.1 The Pension Board is not a decision making body, rather it will assist the Fire Authority in its role as the scheme manager to :

- Secure compliance with the scheme regulations and other relevant legislation in respect of governance and administration.
- Secure compliance with the requirements imposed by the Pensions Regulator.
- Assist with any other matters as may be specified in the relevant legislation.

4.2 A draft terms of reference based on a template developed by the Local Government Association (LGA) is attached at Appendix B. Board members will also be under a duty to report any breaches of law to the Pensions Regulator.

Governance

4.3 The Board will not be a decision making body. As such, it should not be called a Sub-Committee or Sub-Panel. However, its deliberations should be brought to the attention of the wider Fire Authority, and it is proposed that it should report to the Scrutiny & Audit Panel.

Membership

4.4 The Board has to include a minimum of 4 members with equal numbers of employer and member representatives. Independent members can also be appointed and may be useful in ensuring that the Board has appropriate capacity, knowledge and experience, but do not have voting rights. Member representatives may be trade union representatives but equally any active (i.e. contributing but not deferred or pensioner) member of the FPS may be appointed. Employer representatives may be councillors or officers but may not be those with responsibility for making decisions on the pension scheme (i.e. where there is a conflict of interest). Any member of the Board must have appropriate capacity to attend meetings of the Board and any training and have an understanding of relevant pension legislation, scheme regulations and documentation.

4.5 There is a wide range of potential options for determining membership of the Board. In setting out the proposals below, officers have been mindful of the Pension Regulator's Code which states that arrangements should be designed with regard to 'the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation'. We have also taken into account the nature of the FPS which, in this context, is more limited in scope than, say, the LGPS where the Board will need to consider investment strategy and valuation issues as well as scheme administration:

- Overall size – the minimum is 4 but to ensure quoracy and appropriate representation it is recommended that the Board be formed of 8 members (or 9 if it is decided to recruit an independent chair).
- Member representatives – it would be possible to advertise openly for Member representatives however, this could be time consuming and resource intensive. Given the timescales involved, and to ensure fair representation, it is recommended that each of the four operational representative bodies (FBU, FOA, RFU, APFO) is asked to nominate a suitable Board member.

- Employer representatives – these may be, but are not limited to, a mix of Councillors and officers but given the extent to which many senior officers would be conflicted by their role in the management and administration of the Scheme then it is recommended that four Councillors are nominated to be members of the Board. Officers would then be free to advise the Board or be called to attend should the need arise. The political balance rules will not apply to Member appointments on the Board as it is not a “committee” for the purposes of the Local Government and Housing Act 1989. Volunteers will be sought. A role description will be developed against which the suitability of potential Board members can be assessed.

Appointment of Chair

4.6 There are three options for appointing a Chair of the Board:

- An independent Chair
- An Authority appointed Chair
- A Board appointed Chair

This provides the Authority with the opportunity to consider recruiting an independent Chair with previous pensions experience to help develop the Board through its infancy and provide non-partisan leadership. This route is dependent on our ability to recruit the right person and will incur some additional cost as expenses and some form of allowance would need to be considered. The process for any recruitment could follow same route as previously used for independent Standards Panel members. The Authority is asked to comment on whether an independent Chair should be sought or a Board or Authority appointment made.

Meetings

4.7 There is no requirement to hold a minimum number of Board meetings each year but the current consensus is that in order to fulfil its requirements then the Board should meet four times in its first year. This could subsequently be reviewed increased or reduced depending on the volume of business.

4.8 Further work will be required, possibly once the Board is established and members appointed, to determine its work plan and develop a standard agenda, however it is anticipated that the following areas would need to be considered for inclusion given the terms of reference:

- Compliance with the Pension Regulator’s Code, Scheme Regulations and local policies
- Reports from internal and external audit
- Performance information from the Scheme Manager / outsourced administrator
- Details of complaints and independent dispute resolution procedures

Training

4.9 The need for training will depend on the needs of the Board members. Generic training material is available from the Pension Regulator (which has also launched a modular e-learning package) and training could also be provided through our administrators (ESCC / SESS), or external providers such as accountancy or legal firms with pensions expertise. The LGA is working to develop a 3 part training course for members of local pension boards covering: Governance, Wider Pensions Issues and Specific FPS Issues. This is likely to be scheduled for June 2015. Board members would need to commit time to training and it is expected that on average this could be around 2 days per year.

Support

4.10 The Board will need support to function effectively and this is likely to involve the Clerks (for administration) as well as a range of officers to advise and to report to it. This will be an additional call on already limited resources, particularly during the first year of the Board's operation. The Board may also wish to engage specialist external advisers to support them on specific issues.

Allowances

4.11 It is for the Scheme Manager to determine whether any expenses should be paid in relation to the running of a local pension board. DCLG's view is that any costs should be on an exceptions basis and only to recover costs. In order to ensure consistency it is recommended that the payment of Panel membership allowances (£843 pa) is extended to Councillors on the Board, who do not otherwise receive the Panel Membership allowance. Attendance at Board meetings would attract travelling and subsistence Allowances. Employee representatives would be covered by existing facilities arrangements to allow them to prepare for and attend meetings and training. If it is decided to seek an independent Chair then the Authority will need consider whether or not to provide some reimbursement for time spent and expenses incurred. If it is agreed to appoint an independent Chair then it is further recommended that an allowance equivalent to the Members Basic Allowance (£2,424 with effect from 1 April 2015) is paid, as well as travelling and subsistence allowance.

5. THE ROLE OF THE PENSIONS REGULATOR

5.1 The Pensions Regulator intends to bring the standards of governance and administration of all public service pension schemes (including the Firefighters' Pension Scheme) into line with those applicable in the private sector. It has stated that it will prioritise education and enablement, through producing codes of practice and educational material, but that it will take any necessary action to ensure that public service schemes are run to a high standard.

5.2 The Pensions Regulator will have the power to :

- Issue an improvement notice where there is contravention of legislation.
- Appoint a skilled person to assist the pension board.
- Require the pension board to provide information about the scheme in relation to the exercise of the Pension Regulator's functions.
- Report to the scheme manager any suspicions of misappropriation of assets by the pensions board or conflicts of interest.

6. LEGAL IMPLICATIONS

6.1 The Authority is required to comply with the Public Service Pensions Act 2013 and with the Regulations when these are published. All other legal implications are fully explained within the body of the report.

7. FINANCIAL IMPLICATIONS

7.1 There is a range of potential costs arising from the requirement to establish a local Pension Board, both one-off and on-going, and the scale of these will depend on the decisions the Authority takes around membership (including recruitment costs), training, support and allowances. These costs could total between £5,000 - £10,000 each year and will fall entirely upon the Scheme Manager (i.e. the Authority). These costs would need to be met from within existing budgets.

Appendix A

See copies of the DCLG consultation and draft SI as separate documents

Appendix B

PENSION BOARD OF EAST SUSSEX FIRE AUTHORITY
TERMS OF REFERENCE

Statement of purpose
1. The purpose of the Board is to assist East Sussex Fire Authority in its role as a scheme manager of the Fire Fighters Pension Scheme. Such assistance is to:

(a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and';

(b) ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board
2. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members:

(a) Should act always in the interests of the scheme and not seek to promote the interests of any stakeholder group above another.

(b) Should be subject to and abide by East Sussex Fire Authority code of conduct for members.

Membership
The Board will comprise an equal number of employer and member representatives with a minimum requirement of no less than four in total.

Member representatives
3. Four member representatives shall be appointed to the Board.

4. Member representatives shall either be members of the scheme administered by East Sussex Fire Authority or have experience of representing pension scheme members in a similar capacity.

5. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Employer representatives

8. Four employer representatives shall be appointed to the Board

9. Employer representatives shall be elected members of East Sussex Fire Authority.

10. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

12. Employer representatives shall be appointed by East Sussex Fire Authority in a manner which it considers best promotes the purpose of the Board.

Appointment of chair
13. The East Sussex Fire Authority shall appoint an (delete as appropriate): Option 1 Independent chair Option 2 Board appointed chair Option 3 East Sussex Fire Authority appointed chair

14. The duties of the chair should be in accordance with the duties of a chair within East Sussex Fire Authority.

Notification of appointments
15. On appointment to the Board East Sussex Fire Authority shall publish the name of the appointees, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Conflicts of interest
16. All members of the Board must declare to East Sussex Fire Authority on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

17. On appointments to the Board and following any subsequent declaration of potential conflict East Sussex Fire Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of East Sussex Fire Authority and the requirements of the Pensions Regulators codes of practice on conflict of interest for Board members.

Knowledge and understanding (including Training)
18. Knowledge and understanding must be considered in light of the role of the Board to assist East Sussex Fire Authority in line with the requirements outlined in section 2 above. The Board should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to Board members. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

19. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.

20. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Term of office
21. Term of Office should be from annual meeting to annual meeting.

22. Board membership may be terminated prior to the end of the term of office due to:
(a) A member representative appointed on the basis of their membership of the scheme no longer being a member of the scheme
(b) A member representative no longer being a member of the body on which their appointment relied
(c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied
(d) The representative no longer being able to demonstrate their capacity to attend and prepare for meetings or to participate in required training.

Meetings
23. The Board shall as a minimum meet 2 times per year.

24. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum
either
25. The total number of members required to be present for a meeting to be quorate is three, to include at least one employer and one employee representative.

or
26. A meeting is only quorate when at least xx% of both member and employer representatives are present plus the chair or deputy chair.

Voting
26. The Chair shall determine when consensus has been reached.

27. Where consensus is not achieved this should be recorded by the Chair.

28. In support of its core functions the Board may make a request for information to the Chief Fire Officer & Chief Executive or any other officer with delegated responsibility for the scheme manager function with regard to any aspect of that function. Any such a request should be reasonably complied with in both scope and timing.

29. In support of its core functions the Board may make recommendations to Chief Fire Officer & Chief Executive or any other officer with delegated responsibility for the scheme manager function which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

30. The Board shall report its activities periodically, but at least once each year to the Scrutiny & Audit Panel.

Interpretation

31. In these terms 'the Scheme' means the Firefighters' Pension Scheme.

32. In these terms Regulations means the Firefighters' Pension Scheme 1992, as amended, the Firefighters' Pension Scheme 2006, as amended and the Firefighters' Pension Scheme Regulations 2014 as amended.

Agenda Item No. 838

EAST SUSSEX FIRE AUTHORITY

Date:	**12 February 2015**
Title:	**Date of Annual Meeting of the Fire Authority**
By:	**Monitoring Officer**
Purpose of Report:	**To consider a proposal to change the date of the annual meeting from 4 June to 18 June 2015**

RECOMMENDATION: That the Authority resolves to move the annual meeting from 4 June to 18 June 2015

MAIN ISSUES

1. This report proposes changing the scheduled date of the annual meeting from 4 June to 18 June 2015. This would allow time for a report on the Service Headquarters relocation to be considered by the Policy & Resources Panel at its meeting on 28 May 2015, prior to the report and any subsequent further recommendations from the Panel being considered by the Fire Authority.

Abraham Ghebre-Ghiorghis
MONITORING OFFICER
16 January 2015

1. BACKGROUND INFORMATION

1.1 Standing Order 3.2 provides that the annual meeting of the Fire Authority will be held in June, unless the Authority decides otherwise. The scheduled date for the Annual meeting has been set as 4 June 2015.

1.2 The general election and Brighton & Hove City Council's election have been set for 7 May, with the annual meetings of East Sussex County Council and Brighton & Hove City Council scheduled for 12 May and 21 May respectively. We, therefore, needed to schedule the meetings of the Scrutiny & Audit and Policy & Resources Panels for 28 May, when we would know who will be Members of the Fire Authority.

1.3 Members of the Policy & Resources Panel will be asked at their meeting on 28 May to consider a report of the Chief Fire Officer & Chief Executive on the relocation of Service Headquarters; this report and any recommendations will subsequently be considered by the Fire Authority. In order to give officers time to consider any amendments suggested by the Panel and circulate the report to Members, it is proposed that the meeting of the Fire Authority be put back to 18 June 2015.

1.4 There are some disadvantages to deferring the meeting. The Authority will have no Chairman or Vice Chairman between 5 June and 18 June. By virtue of paragraph 17 (2) of the East Sussex Fire Services (Combination Scheme) Order 1996, they only hold office for a period of one year from the date of their election, which was 5 June 2014. However, they will continue as Chairman of the Policy and Resources and Scrutiny and Audit Panels respectively.