



EAST SUSSEX FIRE AUTHORITY

Thursday, 6 September 2018 at 10:30 Hours

Members

East Sussex County Council (12)

Councillors Barnes, Dowling, Earl, Elford, Galley, Lambert, Osborne, Scott, Sheppard, Smith, Taylor and Tutt.

Brighton & Hove City Council (6)

Councillors Deane, Morris, O'Quinn, Peltzer Dunn, Penn and Theobald.

You are required to attend this meeting to be held at County Hall, St Annes Crescent, Lewes, BN7 1UE at 10:30 hours.

AGENDA

Item No.	Page No.	
48	1	In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members
49	1	Apologies for Absence
50	1	Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items. (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).
51	1	To consider any public questions
52	1	To receive any petitions
53	3	<u>Non-confidential Minutes of the meeting held on 14 June 2018</u> (copy attached)

Item No.	Page No.	
54	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
55	15	<u>Strategic Service Planning and Medium Term Financial Plan 2019/20 – Report of the Chief Fire Officer and Assistant Director Resources/Treasurer</u> <i>(copy attached)</i>
56	29	<u>Provision of Insurance – Report of the Assistant Director Resources/Treasurer</u> <i>(copy attached)</i>
57	85	<u>2017/18 Annual Performance Outcome Report – Report of the Assistant Director Planning & Improvement</u> <i>(copy attached)</i>
58	123	<u>Procurement Strategy – Report of the Assistant Director Resources/Treasurer</u> <i>(copy attached)</i>
		(This report contains an exempt appendix. Any discussion of this must take place at item 60 following exclusion of the public.)
59	2	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.
60	151	<u>Procurement Strategy – Appendix 1</u> <i>(copy attached)</i> (Exempt category under paragraph 4 of the Local Government Act 1972)
61	153	<u>Confidential Minutes of the meeting held on 14 June 2018</u> <i>(copy attached)</i> (Exempt category under paragraph 3 of the Local Government Act 1972)
62	-	<u>Sussex Control Centre – Verbal Update by the Chief Fire Officer</u> (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

EAST SUSSEX FIRE AUTHORITY

NON-CONFIDENTIAL Minutes of the meeting of the EAST SUSSEX FIRE AUTHORITY held at County Hall, St Anne's Crescent, Lewes BN7 1UE at 10:30 hours on Thursday, 14 June 2018.

Present: Councillors Barnes (Chairman), Deane, Dowling, Earl, Elford, Galley, Lambert, Morris, O'Quinn, Osborne, Peltzer Dunn, Penn, Sheppard, Smith, Taylor, Theobald (Vice-Chairman) and Tutt.

Also present:

D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), A Ghebre-Ghiorghis (Monitoring Officer), D Savage (Treasurer/Assistant Director Resources), L Ridley (Assistant Director Planning & Improvement), M Matthews (Assistant Director Safer Communities), H Scott-Youldon (Assistant Director Training & Assurance), E Curtis (Communications & Marketing Manager), S Milner, Simon Neill, Chris Fry, J Ochser, M Winton, K Matthews, G Hughes, F Le Duc (Press) and A Blanshard (Senior Democratic Services Officer).

33 INTERESTS

33.1 It was noted that, in relation to matters on the agenda, no participating Member had any disclosable interest under the Fire Authority's Code of Conduct for Members.

34 ELECTION OF CHAIRMAN

34.1 The Fire Authority considered the report of the Monitoring Officer inviting them to elect a Chairman for the forthcoming year and, once elected to ask the Chairman to advise of their preferred title. (*Copy in Minute Book*)

34.2 The Combination Order for the creation of the East Sussex Fire Authority set down the procedure for the election of a Chairman of the Authority.

34.3 The Standing Orders of the Fire Authority required a Chairman to be elected from its Members as the first item of business at the annual meeting.

34.4 **RESOLVED** – That the Fire Authority:

- i. appointed Councillor John Barnes as Chairman of the Authority; and
- ii. The Chairman advised that his preferred title was that of 'Chairman'.

35 ELECTION OF VICE-CHAIRMAN

35.1 The Fire Authority considered the report of the Monitoring Officer inviting them to elect a Vice-Chairman for the forthcoming year and, once elected to ask the Vice-Chairman to advise of their preferred title.

35.2 **RESOLVED** – That the Fire Authority:

- i. appointed Councillor Carol Theobald as Vice-Chairman of the Authority; and
- ii. The Vice-Chairman advised that her preferred title was that of 'Vice-Chairman'.

36 APOLOGIES FOR ABSENCE

36.1 Apologies had been received from Councillor Scott.

37 URGENT ITEMS AND CHAIRMAN'S BUSINESS

37.1 The Chairman reminded the Authority that it was the first anniversary of the tragic fire at Grenfell Tower. The Authority would join the rest of the nation in marking the anniversary with a 72 second silence at midday to remember the 72 lives lost and to think of our Fire Service colleagues who had attended the scene.

37.2 The Chairman informed the Authority that he wished to take an oral update on the Sussex Control Centre as an urgent item at the conclusion of the published agenda.

38 TO CONSIDER PUBLIC QUESTIONS, IF ANY

38.1 There were none.

39 TO CONSIDER PUBLIC PETITIONS, IF ANY

39.1 There were none.

40 MINUTES OF THE MEETING HELD ON 15 FEBRUARY 2018

40.1 **RESOLVED** – That the minutes of the meeting held on 15 February 2018 be approved and signed by the Chairman. (*Copy in Minute Book*)

41 CALLOVER

41.1 Members reserved the following items for debate:

42 Political Representation on the Panels of the Fire Authority

44 Safer Communities Strategy 2018-2021

45 Communications & Consultation Strategy 2018-2021

46 Treasury Management Stewardship Report 2017-18

47 Integrated Risk Management Plan (IRMP) Review of Attendance Standards – Consultation Results

41.2 **RESOLVED** – That all other reports be approved according to the recommendations set out.

42 POLITICAL REPRESENTATION ON THE PANELS OF THE FIRE AUTHORITY

42.1 The Fire Authority received the report of the Monitoring Officer (MO) seeking to secure political balance on Panels in accordance with the Local Government (Committees and Political Groups) Regulations 1990 and agree to the resultant Membership to the Panels of the Fire Authority. (*Copy in Minute Book*)

42.2 The Fire Authority was required to keep under review the allocation of seats on Committees and other bodies to ensure, so far as practicable, that the reflected the political groups on the Authority. The rules governing this representation were outlined in the report.

42.3 **RESOLVED** – That the Fire Authority:

- i) confirmed the Panel arrangements and political representation as set out in the report;
- ii) agreed (with no member voting against) that the political balance provisions shall not apply to the Membership of the Principal Officer Appointments Panel; and
- iii) agreed that, as had been the practice in the past under Standing Order 41.14, to leave the appointment of Chairman and Vice-Chairman of the Panels to the Panels at their first meeting.

43 FIRE AUTHORITY AND PANEL MEETINGS 2018/19

43.1 The Fire Authority received the Report of the Senior Democratic Services Officer (SDSO) which informed Members of the dates of meetings of the Fire Authority and Panels for the remainder of 2018 and 2019 (*Copy in Minute Book*)

43.2 **RESOLVED** – That the Fire Authority noted the dates of meetings of the Fire Authority and Panels for the next 12 months.

44 SAFER COMMUNITIES STRATEGY 2018-21

44.1 The Fire Authority considered the Report of the Chief Fire Officer (CFO) which presented Members with the Safer Communities Strategy 2018-21 for approval and adoption. (*Copy in Minute Book*)

44.2 The report supported East Sussex Fire and Rescue Service's (ESFRS) purpose to make our communities safer. The strategy, Appendix A to the report, outlined the future delivery design of ESFRS Prevention services over the next three years to support the delivery of interventions under five themed prevention strands.

44.3 Members expressed their support of the strategy which they deemed comprehensive and felt that it supported the existing good work that the service was achieving in promoting community safety. Members were always impressed

by the dedication of staff and the events that they organised particularly Biker Down and Safe Drive, Stay Alive

- 44.4 Members suggested that a textual amendment be made on page 9 of the Strategy. It was felt that the statement that the strategy “will” achieve a reduction in the number of people killed and seriously injured in road traffic collisions. Members explained that they were not questioning the contribution the service made to the reduction of deaths and injuries in traffic collisions but felt that by writing it in this way we could be perceived to be making a promise that could not be delivered by the service alone.
- 44.5 The CFO advised that both the Service’s intervention and prevention work saves lives. In terms of response to emergencies our staff were well equipped, well trained and enabled to make early interventions which save lives, helped by the Authority maintaining budget commitments which support rapid attendance.
- 44.6 The Authority proposed potential minor textual amendments and agreed that the CFO be permitted to amend the strategy to reflect that this was an aim and not a guarantee.
- 44.7 **RESOLVED** – That the Fire Authority approved and adopted the Safer Communities Strategy 2018-2021 subject to the Chief Fire Officer, in consultation with the Chairman, making minor textual amendments to page 9 of the Strategy.

45 COMMUNICATIONS & CONSULTATION STRATEGY 2018-2021

- 45.1 The Fire Authority considered the Report of the Assistant Director Planning & Improvement (ADP&I) which presented the Authority with the revised Communications and Consultation Strategy 2018-2021 for approval and adoption. (*Copy in Minute Book*)
- 45.2 The Authority currently had a Communications and Engagement Strategy in place and it was this document that had been revised and updated. Over the past year the Service had developed its approach to strategies and a number of them had been re-written and agreed. The Communications and Consultation Strategy had been revised to support the delivery of the Service’s other strategies.
- 45.3 Members thought that the Strategy was a positive document, but felt that there could be more attention paid to Social Media as a communication tool. Whilst the Service was using Twitter and Facebook, they believed that there might be more that could be done to engage on these platforms. It was suggested that the Service should consider using Instagram, which they felt was more conversational, and to create short video clips of safety advice and training that the public could share on other sites.
- 45.4 The CFO responded firstly by stating that the Service had a great Communications team that served as a valuable resource. They did a strong and exemplary job promoting the work of the Service and gave Officers solid advice.
- 45.5 Members were advised that the Service was exploring the plethora of Social Media platforms to ensure that we made the best use of what was available to us. The

Service currently has some core sites, including Facebook, Twitter and a soon to be launched Instagram account, and would introduce others as appropriate.

- 45.6 The CFO explained that whilst there were many routes that the Service could communicate with the Public, the strongest available was face to face therefore, we would continue to use this as much as possible by using roadshows, station open days and having a presence at events hosted by other services or authorities. The CFO used the recent Safety in Action week at Newhaven Fort as an example during this week, the Service made contact with approximately 800 children from many different schools. The safety messages that the children attending the event had learned would be passed on to many more people including their friends and families.
- 45.7 Members then praised the weekly Service Brief and asked how far the contents of this was circulated. The Communications and Marketing Manager explained that in full it was sent to Staff, Fire Authority Members and those stories that contained public information were disseminated out to the public via a variety of channels including the website, traditional press and social media. She went on to explain that the Service sought to continuously improve its communications and all ideas were welcomed.
- 45.8 Members thanked the Communications staff for the work that they do and extended this to those other staff who were involved in updating social media and for the great work achieved by on station staff who do so much for community engagement including attending open days and hosting their own.
- 45.9 **RESOLVED** – That the Fire Authority approved and adopted the revised Communications & Consultation Strategy 2018-2021.

46 TREASURY MANAGEMENT – STEWARDSHIP REPORT FOR 2017/18

- 46.1 The Fire Authority received the Report of the Assistant Director Resources/Treasurer (ADR/T) which presented the Annual Treasury Management Stewardship Report 2017/18. The receipt of this report was an annual requirement of the Fire Authority's reporting procedures and informed Members of Treasury Management performance for 2017/18 and compliance with Prudential Indicators. (*Copy in Minute Book*)
- 46.2 The report confirmed that the Fire Authority had complied with its approved Treasury Management Strategy and Prudential Indicators for the year.
- 46.3 The Bank of England (BoE) base rate had been raised from 0.25% to 0.50% on 2 November 2017. In challenging economic conditions the average rate of interest received through the Services Treasury Management Activity was 0.50% which reflected the Fire Authority's continuing prioritisation of security and liquidity over yield.
- 46.4 Members were informed that no new borrowing had been undertaken in 2017/18 with total loan debt outstanding of £10.773m at 31 March 2018 with an average interest rate of 4.60%. There had been no beneficial opportunities to reschedule debt during the year but there was a £200k loan maturity on 31 December 2017.

The outturn of the Fire Authority's Capital Financing Requirement (CFR), a measure of the underlying need to borrow, is £10.773m.

- 46.5 Members referred to the 4.60% interest rate on debts and queried whether it would be possible to reduce this rate of interest on debts. They also wondered whether improved interests rates on savings could be found.
- 46.6 The ADR/T explained that opportunities to reschedule debt were regularly reviewed none had arisen at present. The Public Works Loan Board (PWLB) had increased all of its lending rates in October 2010 by 1% but it had not increased the rate of interest used for repaying debt. This meant that the cost of future borrowing had increased and the opportunity to restructure debt when market conditions allowed had been significantly reduced. He added that the Service had not taken out any new borrowing since 2008, but that the Estates Strategy may change this stance on long-term borrowing.
- 46.7 The ADR/T reminded Members that the Authority had set its Treasury Management approach in February 2018, and that the new policy meant that it had opted to remain prudent, whilst allowing more flexibility and permitting the use of slightly higher risk options. He informed Members that there would be an opportunity to review one of our investments with NatWest when it matured in August 2018.
- 46.8 The ADR/T reminded Members that whilst the Service currently holds historically high levels of reserves, the strategies that the Authority agreed in February 2018 would work to drop these reserves to £5m in 5 years. The majority of this remaining amount was in General/Unallocated Balances held against the risks set out in the Reserves and Balances Policy, in effect a 'rainy day' fund that would need to be accessible at short notice. This would therefore need to be a key consideration when evaluating longer term investments.
- 46.9 **RESOLVED** – That the Fire Authority noted the Treasury Management Performance for 2017/18.

47 INTEGRATED RISK MANAGEMENT PLAN (IRMP) REVIEW OF ATTENDANCE STANDARDS – CONSULTATION RESULTS

- 47.1 The Fire Authority considered the Report of the Deputy Chief Fire Officer (DCFO) which presented the outcomes of the consultation exercise undertaken in relation to the review of attendance standards as detailed in the Fire Authority's Integrated Risk Management Plan (IRMP) 2017/20. The report detailed the views of staff partners and communities to enable the Fire Authority to consider their views before it made its final decision.
- 47.2 The report presented Members with the results of an 8 week public consultation on the IRMP Review of Attendance Standards. The consultation had a broad reach, staff had held roadshow events across the 6 local authority areas, and in addition to these a quantitative open consultation questionnaire had been available online and as a hard copy. A useable response of 474 meant that this was the highest response rate in any IRMP consultation exercise to date.

- 47.3 The results showed that the majority of respondents agreed that the 'call-handling time' be included as part of ESFRS's attendance standard. Also that the standards should be variable and report separately for on station and on call responses. Finally, the responses showed that the second engine should not be measured as an outward facing public standard, but that it be measured for internal use.
- 47.4 Members thanked Officers for conducting the consultation and for compiling the responses. They sought clarification on the recommendation that the second engine be measured for internal purposes only and not reportable. Members were interested in how this internal monitoring helped to ensure that there were sufficient resources available.
- 47.5 The CFO explained that it was essential for Officers to know the speed and weight of attack required to resolve any incident. Amongst this was how fast all resources attending get there to provide a response, this additional data was required internally for every response and used to help with planning. It was obtained automatically from the mobilising system. Internally the Service was measuring the exact speed, time and weight of response and it was used on a daily basis to inform immediate cover moves.
- 47.6 The CFO explained that for the purposes of dynamic resource management, it was essential that this information was available. This detailed information must also be available in case of a coroner or police enquiry.
- 47.7 Members questioned why, as outlined in the response received from the Fire Brigades Union (FBU), the attendance standards had not been split on geographical terms.
- 47.8 The CFO informed Members that the proposal was to change from an average County attendance time. This consultation had enabled enhanced transparency. There was a variance between urban and rural because of the nature of the duty systems, some Firefighters are on the station some have to be called to attend. In addition, nationally, union representatives were keen to have a unique attendance standard set for each station. This would be incredibly difficult to achieve as ESFRS did not operate a service where a station served just one community, as already mentioned the new mobilising system operated in a dynamic way, meaning that the nearest appliance at that moment, whether on station or on the move, was sent to an incident.
- 47.9 **RESOLVED** – That the Fire Authority:
1. Considered the results of the staff, public and stakeholder exercise and agreed to adopt the outcomes of the consultation which proposed to:
 - i) include the call handling time as part of the new attendance standards;
 - ii) set an attendance standard for the 1st fire appliance with an 'on-station-response of 10 minutes 70% of the time;
 - iii) set an attendance standard for the 1st fire appliance with an 'on-call' response of 15 minutes 70% of the time; and

- iv) not to set a standard for attendance of the second appliance but to monitor it as part of its internal reporting.

The Meeting of the Fire Authority then ceased for the duration of the 72 seconds silence to pay its respects to those 72 people who lost their lives in the fire at Grenfell Tower on 14 June 2017.

48 URGENT ITEM: UPDATE ON SUSSEX CONTROL CENTRE

- 48.1 The Chairman reconvened the meeting, inviting the Chief Fire Officer (CFO) and Deputy Chief Fire Officer (DCFO) to provide an update to the Fire Authority on the current situation at the Sussex Control Centre.
- 48.2 The Chairman, in consultation with the Monitoring Officer explained that the majority of this discussion would be taken in open session. However, it would be necessary to consider excluding the public and press from the meeting for the remainder of the discussion on the grounds that if the public and press were present there would be disclosure to them of exempt information, as specified in paragraphs 3 and 5 of Part 1 Schedule 12A of the Local Government Act 1972 as amended i.e. that it includes information relating to the financial or business affairs of any particular persons and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
- 48.3 The CFO gave Members some context to the update. She reminded them that for some years now ESFRS had been involved with WSFRS in a project to replace the legacy mobilising systems used by each Service with one shared software system to be based on a shared site at Haywards Heath.
- 48.4 The Services had been progressing the project to the single solution for some time, the new system is Remsdaq 4i. The CFO then explained that the mobilising software then needed to link into station end equipment such as alarm bells, doors, pagers and hardware on appliances. There were complex links required between several different bits of software and hardware. The CFO informed Members that we had encountered some issues with delivery of the new system, but this was not unexpected with the integration of any new software, but as it was fundamental to Service provision, there had always been layers of support in place to mitigate for any issues.
- 48.5 The DCFO then provided a more detailed update on the experience so far and future plans. Members were reminded that ESFRS had gone live with the new 4i system on 20 March 2018. The final decision to go live, and the timetable for doing so, had been made on 19 March 2018 by the CFOs of both ESFRS and WSFRS following comprehensive testing. The agreement was for WSFRS to then follow and go live with the system between 4-6 weeks later.
- 48.6 The DCFO explained that in the two weeks following ESFRS go live there had been some issues, but the project team had ensured that there were engineers on site to resolve these issues quickly, he added that since then, monitoring had continued. Members were informed that the issues that arose had been with the communication between mobilising (4i) and the systems which send signals on to

other hardware alerting the crews. These messages also go to Mobile Data Terminals (MDTs) on each Fire Appliance, a form of pc through which we send information during incidents, they also go to alerters and pagers. The recent issues encountered were not with the mobilising software itself. The configuration between 4i and the MDTs needed adjusting and at this stage it became apparent that there were some hardware issues with cabling, some equipment overheating and weak on-station Wi-Fi signals.

- 48.7 The DCFO explained that since go live, there had been over 1860 incidents and during this period, 158 reports of issues had been made. The majority of these issues were not related to incidents. Some of these issues had been technical, some had been operator error, and these had highlighted the need for further training. The DCFO explained that the issues that had arisen were being dealt with. All had now been diagnosed and a solution was either in place or being worked on. A joint investigation with the FBU into these issues was underway.
- 48.8 The DCFO reassured Members that the Service would not wait for the investigation to conclude before it remedied any issues discovered, this was ongoing. The Service had immediately started work on enhancing Wi-Fi strength at stations and replacing hardware. ESFRS's IT provider, telent, had commenced work on reviewing all station end equipment. Additionally, a new way of monitoring the systems 24/7 had been agreed, this enabled us to constantly see what was happening and provided a better opportunity to fix any issues on discovery.
- 48.9 Members enquired as to whether the software, hardware and Wi-Fi issues had been pre-existing and had the Service been aware of them. Officers explained that we had been aware of some legacy issues and there had been plans in place to address them but the new 4i system had in fact made these issues more visible. The ongoing IT strategy had already made some improvements, and other planned solutions were being brought forward. Historic monitoring systems had not been able to pick up issues automatically and had been reliant on issues with frontline issues being reported by individual Firefighters. Wi-Fi was a particular local issue, and not service specific, but as we were reliant upon it was imperative that the improvements that had already begun were carried out across the weak signal areas.
- 48.10 Members were concerned that it was hard to get an idea of the scale of the problem. The CFO likened it to a concentric circle, we previously did not know what we did not know, what we now know we are addressing immediately and additional information is becoming apparent and being dealt with accordingly.
- 48.11 Members agreed that the transition from one IT system to another was always difficult, but wanted reassurance that "command and control" was still being achieved and that the right appliances were getting to the right incidents on time. They also requested confirmation that the project management process had been robust, and queried who was on the project board and had it included suppliers.
- 48.12 The DCFO reassured Members that the Project Management method being used was standard and had been used correctly, thoroughly and appropriately. There had been a Project Implementation Board, created jointly between ESFRS and WSFRS. The project team had ensured that robust testing had been carried out

prior to go live and all these had been passed satisfactorily. Some of the issues that had become apparent had been pre-existing and had been highlighted by the way the Service is using the new technology. Members were informed that the combined project team had been actively monitoring user acceptance testing, this had not looked at the whole estate operating at the same time, but used a sampling approach testing each function individually.

- 48.13 The CFO added that whilst the Project Implementation Board was formed of staff from both ESFRS and WSFRS there were no suppliers represented at this executive board level. They contributed to the User Working groups which fed into the project and reported up to the executive decision making board. telent, who were responsible for providing IT across the whole service, outlined the specifics for each project.
- 48.14 Members discussed the project as a whole, they were minded that the 4i project had started some years ago and that important lessons had been learned from the process already and that there would be more to come. A report would be made to Scrutiny and Audit regarding the project for consideration before 2021 when the Service would need to move again to a new system. They agreed that 4i had been far more ruthlessly tested as a result of the delays to installation that had occurred and that ESFRS deliberately did not go live until there was certainty that it would not fall over. They further agreed that perhaps a lesson had been learned that more attention should have been paid to peripherals and linking hardware when the project commenced and not left to be discovered at this stage in the process.
- 48.15 The ADR/T added that the IT Strategy, approved by Members in June 2017, included activities around station end equipment including the replacement of pagers, modernisation of MDTs and enhancement of Wi-Fi. Specific pieces of work had been brought forward. Physical Wi-Fi surveys of all stations and all station end equipment had been commissioned and funding for updating was already identified within the current strategy. He added that there were 4 suppliers involved across the two services, telent (outsourced IT service delivery), Remsdaq (4i) and two others, one for the provision of arriving calls and the other for MDTs. Before go live, work had been conducted to ensure responsibilities of all parties were defined and the supplier resolution response since go live had been good. The response from telent in particular had been exemplary, the speed and competency of their specialist response had been very positive.
- 48.16 Members were grateful for the updates received, both today and throughout the process. They appreciated how well the complex set of issues had been handled and felt reassured as to the safety and compliance of the new system. They proposed that consideration be given to establishing a scrutiny board to look in-depth at the project.
- 48.17 Members then requested an update on the crews and whether they were happy with the new system.
- 48.18 The DCFO informed Members that there had been some knock to confidence when issues arose, but that these concerns were being addressed jointly with the FBU. There were regular updates on the system to crews which included a rationale as to why issues had occurred and how they were being remedied. The

staff at the Service Control Centre were broadly confident in how the system worked.

- 48.19 The CFO informed Members of the importance of the enhanced monitoring that was provided by 4i. There was now more detailed information available about West Sussex, mobilisation and new officer satnavs in cars providing more information to attend incidents.
- 48.20 The CFO explained that as a result of 4i, station mobilising of appliances is now “dynamic”, as outlined previously this meant that the nearest appliance is alerted and not the nearest station. These appliances may therefore be already on the move. Some of the issues that had been reported were about the lack of understanding of the impacts of this change. The system is doing exactly what we ask of it, but there is clearly an issue with communication of this.
- 48.21 Members asked what the time frame was for fixing those issues that remained. The DCFO responded to reiterate that all the issues had now been identified, many had been resolved already and of those outstanding interim measures were in place and there was an estimate of 6-8 weeks to replace or fix the station end equipment.
- 48.22 At this point the Chairman requested the exclusion of the press and public, as agreed at the beginning of the item, for the remainder of the discussion on the grounds that if the public and press were present there would be disclosure to them of exempt information, as specified in paragraphs 3 and 5 of Part 1 Schedule 12A of the Local Government Act 1972 as amended i.e. that it includes information relating to the financial or business affairs of any particular persons and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
- 48.42 **RESOLVED** – That the Fire Authority agreed that:
- i) The Chairman of the Fire Authority be requested to write to the Cabinet Member for Safer, Stronger Communities at West Sussex County Council outlining the concerns of the Members of East Sussex Fire Authority regarding the Service Control Centre and arranging a meeting between them to enable further discussion; and
 - ii) Following a response to the above letter and after ensuing discussions, that a report be requested to be presented to a relevant meeting of the Panels of the Fire Authority.

The meeting concluded at 14:02 hours.

Signed

Chairman

Dated this

day of

2018

EAST SUSSEX FIRE AUTHORITY

Date 6 September 2018

Title of Report Strategic Service Planning and Medium Term Financial Plan 2019/20

By Chief Fire Officer and Assistant Director Resources / Treasurer

Lead Officer Warren Tricker, Finance Manager

Background Papers Office for Budget Responsibility: Economic and fiscal outlook, March 2018
Fire Authority 15 February 2018 Item 970 Service Planning Processes for 2018/19 and beyond

Appendices

1. Medium Term Financial Plan 2019/20 to 2023/24
2. 2019/20 Revenue Budget Commitments.
3. Council Tax increase scenarios

Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	✓
FINANCIAL	✓	POLITICAL	✓
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT To roll forward the Fire Authority’s medium term service planning strategy and medium term financial plan for 2019/20 to 2023/24.

EXECUTIVE SUMMARY Whilst the main purpose of this report is to set the financial context for the service planning process, through an update of the Medium Term Finance Plan (MTFP), the fundamental aim of the review process is to determine how best to deliver the Authority’s Purpose and Commitments, the IRMP and the targets and priorities that underpin them, within the context of the current estimate of available financial resources for the period 2019/20 to 2023/24.

Closer alignment of business and resource (including finance) planning is necessary to ensure that the Authority

can continue to deliver its corporate strategy and Integrated Risk Management Plan (IRMP) outcomes more effectively. This will continue for the 2019/20 budget setting process.

There remains uncertainty about the future of local government funding. There are consultations on the future funding arrangements but at this stage there is no certainty past the final year of the multi-year funding settlement, 2020/21 and beyond, and therefore the last four years of the MTFP should be regarded as indicative at this stage. Much of the detail that is required to set the budget for 2019/20 and prepare the Authority's MTFP is unlikely to be available until January 2019.

The revised MTFP models, following a balanced budget in 2019/20, forecasts two scenarios, a probable and a worst case and the savings required under each are:

- Probable – savings required in 2020/21 of £0.360m increasing to £1.537m by 2023/24
- Worst case – savings required in 2020/21 of £0.629m increasing to £2.424m by 2023/24

The Authority will need to continue to drive through the service and budget planning process identification of pressures and savings, and cashable efficiencies sufficient to provide the Authority with options to meet the probable scenario as a minimum, and to offer options beyond that. This will enable the Authority to make informed choices about both balancing its budget over the medium term and delivering efficient and effective services once the position for 2020/21 is clearer.

RECOMMENDATION

The Fire Authority is asked to:

- (i) Approve the updated Medium Term Financial Plan for 2019/20 to 2023/24 and its underlying assumptions.
 - (ii) Delegate authority to agree a submission of interest to join an East Sussex Business Rate Pilot to the Assistant Director Resources / Treasurer after consultation with the Chief Fire Officer and the Chairman.
 - (iii) Note that an update on the Efficiency Strategy will be reported to Policy & Resources Panel in November 2018.
-

1. MEDIUM TERM SERVICE PLANNING

- 1.1 Whilst the main purpose of this report is to set the financial context for the service planning process, through an update of the MTFP, the fundamental aim of the process is to determine how best to deliver the Authority's Purpose "to make our communities safer", it's supporting commitments, it's Integrated Risk Management Plan (IRMP), and the targets and priorities that underpin them, within the available resources. This process has become even more important in recent years in the light of the sustained reduction in public sector funding and the consequent need to deliver significant savings over the period of the MTFP.
- 1.2 Members and officers will need to ensure that the service planning process, which is driven through our purpose and commitments and the IRMP, delivers sustainability in the medium term for both the revenue and capital budgets, and the Service as a whole. Officers continue to develop the service planning process to ensure that strategic planning and resource allocation processes (including financial planning / budget setting) are better aligned, ensuring that agreed policy priorities and key outcomes are properly resourced and can be delivered more efficiently and effectively. As a result of this any proposed new pressures, savings and investments will be included in future reports for Member approval.

2. NATIONAL CONTEXT

- 2.1 On the domestic front the ongoing negotiations with the EU following the UK's decision to leave continues to add to financial uncertainty in the short to medium term. Forecasts for economic growth have proven to be broadly in line with results and the forecasts for future periods remain generally unchanged. Consensus on interest rates is for slow increases into 2022/23 but remain historically low. The Office of Budget Responsibility (OBR) measured GDP in 2016 at 1.9% (last year's forecast 1.8%) and expected it to grow by 1.7% in 2017 (down from 2.0% previously forecast). Further ahead, GDP is expected to grow by 1.5% in 2018 (down from 1.6%), 1.3% in 2019 and 2020 (down from 1.7% and 1.9% respectively) before climbing to 1.4% in 2021 (down from 2.0%).
- 2.2 The OBR now see the Government on course to meet all three fiscal targets, supplementary target for net public sector debt, welfare cap and the fiscal mandate. Most importantly this target, the structural deficit is forecast to be 1.3% of GDP in 2020/21 is expected to be achieved but this is largely due to current government departmental targets being cut.

3. LOCAL POSITION

Medium Term Finance Plan

- 3.1 The rolled forward MTFP is included at Appendix 1. The MTFP was previously updated when the 2018/19 Budget was set in February 2018. At that stage there was forecast to be a balanced budget through to 2021/22 although there was acknowledgement that central funding for 2020/21 through to 2022/23 was uncertain. Savings of £0.721m had been identified through the Riding at Standard and a range of other initiatives. In preparing the new MTFP the main issues considered are set out

in the following paragraphs. The risks set out in paragraph 3.2 below and the likely further reductions in public spending and impact of the UK's exit from the EU makes forecasting the position for the last four years of the five year rolled forward MTFP very difficult. For that reason the forecast within the MTFP for 2020/21 to 2023/24 should be regarded only as indicative at this stage.

3.2 There is a range of risks that has the potential to impact on the Authority's ability to deliver its budget plans over the medium term to which Members must give consideration, primarily:

- Our ability to deliver the existing savings and make good any shortfall in planned savings set out in the MTFP
- The ongoing impact of budget pressures identified in our budget forecasts for 2018/19, primarily around the Safer Communities pay budget and staffing over the approved establishment
- Costs relating to the completion of the SCC project and the implications for achieving the savings planned through the Target Operating Model for staffing
- The relaxation of the Government's public sector pay cap leading to awards in excess of the current provision in the MTFP
- Lack of clarity about the financial impact of the national Emergency Service's Mobile Communication Programme
- Uncertainty about future governance and funding including:
 - Outcomes from the Sussex Police & Crime Commissioner's re-evaluation of the original merger business case
 - Any further development of local devolution proposals
 - Proposals for the 75% business rates retention from 2020/21
 - The outcomes from the Fairer Funding Review which will determine how available funding is allocated across the local government and fire sector which will be implemented in 2020/21
 - The Comprehensive Spending Review expected to be launched in Spring 2019 which will determine the level of Government funding for the fire service as a whole from 2020/21
 - The potential for the Government to change the current Council tax referendum threshold
 - The potential impact of the UK's decision to leave the EU, including the impact of currency movements on the cost of goods and services purchased from the EU
 - The impact of local growth development plans and additional housing, road and commercial risks

3.3 The MTFP has been updated to reflect some changes in service delivery. The 0.5% saving on a reduced pay award for Grey Book staff has not been achieved in 2018/19 and the impact of this is reflected in the updated MTFP. A similar saving for Green Book staff pay award was also unachieved and this was reflected in the 2018/19 MTFP. There has also been a rebase of the FireLink grant (New Burdens grant following the introduction of Airwave) and the assumed 10% reduction.

3.4 In overall terms the updated assumptions and service changes mean that the revised MTFP shows, following a balanced budget in 2019/20, savings required in every year, from £0.360m in 2020/21 and then a need to deliver savings of £1.537m by 2023/24.

This is based on a probable scenario of 5% year on year reductions in Settlement Funding Assessment (SFA). However, we have also modelled a worst case scenario where SFA is cut by 7.5% per year and in this case savings required in 2020/21 are of £0.629m increasing to £2.424m by 2023/24. In both cases it is assumed that the Authority will increase Council Tax by 2.94% in 2019/20 and 1.94% thereafter.

Grant Funding

- 3.5 Between 2015/16 and 2018/19 Revenue Support Grant has reduced from £7.514m to £3.660m or 51% and integral to meeting Government fiscal targets there will be cuts in departmental spending. The rolled forward MTFP makes the underlying assumptions on overall funding based on Home Office commentary of a year on year reduction of 5% SFA following the end of the current multi-year settlement (probable scenario). This is more pessimistic than the previous assumptions which averaged circa 2.5% per year reduction (based on a 10% per annum reduction in Revenue Support Grant). This revision of the forecast reflects the uncertainty around a future Comprehensive Spending Review and the Fairer Funding Review which is expected to impact in 2020/21. A worst case scenario is also modelled which reflects a 7.5% year on year reduction in SFA in case the average of a 5% annual reduction across the fire sector is not evenly distributed.
- 3.6 The Authority currently receives a small number of on-going specific revenue grants from Central Government for FireLink and New Dimensions. There is uncertainty over the future of these grants despite previous Government assurances so it is assumed they will reduce by 10% per annum. The replacement for FireLink was planned to be deployed locally in 2018/19, however, the programme has slipped and is being reviewed by the Secretary of State. It remains the Home Office's stated policy that the FireLink grant (a New Burden grant) will be phased out reflecting lower costs to the Authority. The MTFP assumes the Authority will be no worse off with ongoing costs. No provision is made for one off implementation costs or grant income, however, there is an overall funding envelope from the Home Office for the South-east region of circa £2.5m over the next three years.
- 3.7 Since 2015/16 there has been no indication that capital grants will be available for fire & rescue services. There may be Home Office police transformation grant for collaborative opportunities and officers will explore the opportunity to bid against these funds should it arise.

Business Rates

- 3.8 Current assumptions on retained Business Rates (BR) are based on information from the billing authorities. Following the BR revaluation in 2017 and other evidence from the billing authorities the BR base is assumed at this stage to remain static. The top up grant reflects the multi-year settlement. CPI assumptions are based on the latest projections from the OBR which indicate that current levels will decrease rapidly to the Bank of England target of 2.0% for the period 2019/20 to 2022/23. 2.0% has been used for the Business Rates RPI multiplier. The risk of fire authorities being removed from the Business Rates regime and compensated with a Home Office grant appears to have receded as it requires primary legislation and there is no plan for this currently. Based on updates from the billing authorities and past performance a Collection Fund Business Rates deficit has been included for 2019/20 of £100,000.

- 3.9 In 2016 the Government announced a permanent extension of temporary rate reliefs for small businesses. The funding is built in to the settlement and the MTFP assumes that the payment by Government to compensate for this loss of income will stop after 2020/21 when the multi-year settlement ends and is shown separately in the funding section of the MTFP.
- 3.10 The East Sussex Business Rates Pool was reformed for 2018/19 and £150,000 was included in the Business Safety 2018/19 revenue budget. Initial indications are that the Pool is performing as expected, however, at this stage no income nor expenditure from the Pool has been included for 2019/20. The Assistant Director Resources / Treasurer has delegated responsibility to agree the Authority's continued participation in the Pool.

Business Rate Retention Pilot

- 3.11 The Government has issued a prospectus inviting further applications for authorities to become Business Rate Retention (BRR) Pilots for 2019/20. The main difference from previous years is that the offer is based on 75% retention not 100% and the no detriment guarantee is removed. The Government's rationale for these changes is that it follows the likely nature of the 75% BRR regime from 2020/21. Local Government Futures has already been commissioned through East Sussex Finance Officers Association to evaluate the options for East Sussex to bid for BRR Pilot status and this modelling will take into account the changes in the prospectus. Current modelling indicates that the scale of benefit beyond the existing Pool could be of the order of £4m across East Sussex. If the split of benefits adopted for the Pool is replicated the benefit to the Fire Authority could be in the region of £0.4m. However, further modelling of the downside risk as a result of the withdrawal of the no detriment clause needs to be conducted before a final decision can be taken.
- 3.12 The deadline for submissions of expressions of interest is very tight (25 September 2018) and a report is due to be considered at the East Sussex Chief Executives Group on 14 September. It is recommended that Authority agrees that the submission of an expression of interest to participate in a Business Rate Pilot is delegated to the Assistant Director Resources / Treasurer after consultation with the Chief Fire Officer and the Chairman. A final decision on participation will be brought to the Fire Authority or one of its Panels as timing dictates.

Council Tax

- 3.13 The underlying assumption in the MTFP is for a Council Tax base increase of 1.0% for the duration of the MTFP across the whole of Brighton & Hove and East Sussex. This is higher than previously assumed 1.0% for 2019/20 and 0.6% for the remainder of the MTFP reflecting that over the last five years growth has averaged 1.72% per year. Historically some areas have experienced higher growth than others, however, the factors that influence this growth are complex (including house building, Council Tax Support Caseload, changes to Local Council Tax Reduction Schemes etc.) and differences are not material so an overall rate has been used. The average for the last two years is 1.15%. All local collection authorities are considering changes to their Local Council Tax Reduction Schemes for 2019/20. The Authority is a statutory consultee on any proposals for change. At this stage we do not have sufficient

information to assess the impact of these proposals on the Council Tax base. On that basis a planning assumption of a 1% p.a. increase is believed to be reasonable at this stage. Based on updates from the billing authorities and past performance a Collection Fund Council Tax surplus has been included for 2019/20 of £200,000.

- 3.14 The MTFP assumes that the threshold for triggering a referendum on Council Tax increases in 2018/19 and 2019/20 will not be repeated and so assumes Council Tax will be increased by 2.94% in 2019/20 and 1.94% each year through the period to 2023/24. The Government has confirmed in its technical consultation on the local Government Finance Settlement that it is minded to maintain the threshold at 3% for 2019/20 but has not indicated that it will offer additional flexibility for fire authorities (in line with that offered for PCCs and district and borough councils). Any decision to pursue a Council Tax Strategy of less than the 2.94% in 2019/20 and 1.94% p.a. thereafter would reduce available funding and mean that additional savings would need to be identified. Each 1% increase in Council Tax generates approximately £264,000 in additional income. Appendix 3 illustrates the impact of setting different levels of Council Tax in 2018/19.

Expenditure

- 3.15 Existing expenditure plans, based on the agreed 2018/19 Revenue Budget and MTFP have been rolled forward to financial year 2023/24 following initial consultation with budget managers and known commitments, and reflect the following assumptions and pressures:
- The level of pay award for the fire & rescue service will be determined nationally through the National Joint Council (NJC). The rolled forward MTFP has a provision for pay inflation of 2.0% for the duration of the MTFP. The Government have relaxed the public sector pay cap but have made it clear that higher awards will be funded from efficiencies. Each 1% increase in pay is equivalent to £264,000.
 - The OBR forecasts for inflation are broadly 2.0% for the duration of the MTFP however they are lower than many other forecasts. The MTFP currently provides 2.5% p.a. for price inflation on goods and services which has been rolled forward to 2023/24. Each 1% increase in prices is equivalent to £82,000
 - Budget adjustments reflecting year-on-year changes in revenue funding to support current strategies for fleet, ITG Strategy and property.
 - Increases in employer's contributions of 0.5% p.a. for the Local Government Pension Scheme (LGPS). The next triennial revaluation of the LGPS is due for 2020/21 and some commentators are optimistic about the outcome. Based on recent experience the MTFP assumes increase in the contribution rate of 1.0% p.a. will continue until 2023/24.
 - The Firefighters pension scheme are also due a valuation and the MTFP provides for an average increase in employers contribution rate of 2.0% for 2019/20 (see below).
 - That the levels of revenue funding for capital set out in the existing MTFP are continued in 2018/19 and beyond.
- 3.16 In the March 2016 Budget the Government maintained its intention to keep public sector pensions "sustainable". It was estimated that unfunded public sector employer pension contributions will increase from 2019 by an estimated £2bn per annum. The

Firefighters' Pension is an unfunded scheme and the impact is undefined although there are various commentators have suggested increases in employer's contributions of up to 5%. Whilst this is at odds with Hutton's cost cap principle which is about sharing pension cost between the employee and the taxpayer, nevertheless the commitment has been introduced to the MTFP as a 2.0% increase in employer contributions in 2019/20.

- 3.17 The Authority approved a new IRMP for 2017/18 – 2019/20 and identified a number of key focus areas where further work is being carried out. The potential financial implications of the proposals, both one off and on-going, have not yet been built into the MTFP. This process will be picked up over the coming months to ensure that the final budget proposals (including the Capital Asset Strategy / Use of Reserves) reflect the likely outcomes. There are potential financial impacts resulting from:
- the impacts of housing and population growth in the short to medium term
 - investment in demand management
 - emergency medical response
 - continued investment in protection activity including firefighter safety
 - community safety initiatives including the further development of volunteering, Safe & Well visits and road safety
 - workforce planning initiatives such as apprenticeships
- 3.18 Equally the Authority has been conducting a fundamental review of its Estates Strategy and this is expected to be concluded with a report to the Fire Authority in December 2018 which will include investment proposals. The Authority will need to consider the funding implications that result in its budget proposals and MTFP.
- 3.19 To provide Senior Leadership Team (SLT) with flexibility in managing budget in-year there is a Corporate Contingency included in the Revenue Budget and MTFP. This remains unchanged, and is set at £540,500 for 2019/20 falling to £218,300 by 2023/24.

Savings Plans and Efficiency Strategy

- 3.20 Since the 2010/11 the Authority has made, and has planned to make, savings totalling £8.682m of which £8.677m will have been delivered by 2019/20. The savings included in the revised MTFP, planned to be achieved in 2019/20 and 2020/21 are the result of the 2017/18 management restructure. The saving from the reduction in the Grey Book pay award was not achieved in 2018/19 so is included as a pressure or negative saving in 2019/20.

TABLE 1 – SUMMARY OF NEW SAVINGS BUILT INTO THE MTFP

CUMULATIVE SAVINGS		2019/20	2020/21	2021/22
Category	Description	£'000	£'000	£'000
Non operational	Reduce provision for pay increases from 2% to 1.5% from 2017/18 and 2018/19	95	95	95
Additional	Senior Management Restructure	(30)	(35)	(35)
Total cumulative savings		65	60	60

- 3.21 Failure to deliver savings puts the Revenue Budget under strain and will require compensatory savings to be found elsewhere. Officers will, as part of the 2019/20 Business Planning and Budget Setting Process, subject the Revenue budget to close scrutiny and identify savings opportunities.
- 3.22 In September 2017 the Authority agreed to adopt a more strategic approach to delivering efficiencies that moved beyond previous approaches that had focussed on delivering savings necessary to balance the revenue budget. An update report will be presented to Policy & Resources Panel in November showing progress against all of the activities identified within the scope of the Efficiency Strategy and the financial implications including potential efficiencies where those are clear. Good progress is being made but the work is still at a relatively early stage and this is reflected in the level of efficiencies identified so far.
- 3.23 As the MTFP indicates, we need to be in a position to react to the new funding position for 2020/21 and have in place as a minimum sufficient cashable savings to balance the budget that year and in the subsequent three years (assuming the Government offers a four year settlement).
- 3.24 Work on a new IRMP will commence in the autumn of 2019 and that this will include a full fire cover review. This will assess the level of resource required to meet changing risk in the communities we serve, and provides a key opportunity to identify efficiencies from operational services that form the majority of the Authority's Revenue Budget.

Reserves and Balances

- 3.25 Reserves and balances are held in accordance with the Authority's agreed policy and table 2 below summarises their current values and planned use over the period. The planned use of reserves and balances will be reviewed as part of the service planning process in the light of the savings requirement, any changes to the Capital Strategy, the outcome of grant funding bids to Government, and the need to fund the costs of up-front investment to support the delivery of savings proposals. The level of reserves held is expected to reduce over the next five years and by 2023/24 will comprise primarily an unallocated risk provision (General Balance 61.3% of total reserves and 6.6% of the total General Fund Revenue Budget in 2018/19) and resources to fund the Capital Strategy without recourse to borrowing (20.5% of total reserves).

TABLE 2 FORECAST OF USEABLE RESERVES BASED ON EXISTING PLANS

	31/03/2019 £'000	31/03/2020 £'000	31/03/2021 £'000	31/03/2022 £'000	31/03/2023 £'000	31/03/2024 £'000
Capital Programme Reserve	4,235	4,735	2,601	1,181	343	843
Other Earmarked Reserves	5,036	2,701	1,603	968	749	749
Total Earmarked Reserves	9,271	7,435	4,204	2,149	1,092	1,592
General Fund	2,517	2,517	2,517	2,517	2,517	2,517
Capital Reserves	9,710	4,046	0	0	0	0
Total Useable Reserves	21,497	13,998	6,721	4,666	3,609	4,109

Capital Strategy

- 3.26 As part of the Service Planning process a major overhaul of the Capital Asset Strategy will be completed out drawing on new strategies for Information Technology Governance, Fleet and Property, and will seek to prioritise capital investment that most effectively supports the delivery of the Authority's new purpose and commitments. The review will include an assessment of the resources available to fund the Capital Asset Strategy against which projects will need to be prioritised.

MEDIUM TERM FINANCIAL PLAN 2019/20 – 2023/24
Increase Council Tax by 2.94% in 2019/20 and 1.94% thereafter

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	37,492	38,001	38,772	39,539	40,373
Less					
Specific grants	(233)	(208)	(186)	(166)	(148)
Other income	(1,508)	(1,545)	(1,584)	(1,623)	(1,664)
Total income	(1,741)	(1,753)	(1,770)	(1,789)	(1,812)
Net Service Budget	35,751	36,248	37,002	37,750	38,561
Capital financing costs less interest receivable	852	852	828	818	778
Capital expenditure from the Revenue Account	607	452	452	452	452
Transferred to Balances	1,283	1,049	1,065	1,092	1,092
Total Net Expenditure	38,493	38,601	39,347	40,112	40,883

Net Budget brought forward	38,140	38,493	38,601	39,347	40,112
Unavoidable cost pressures					
Pay inflation	529	545	555	567	578
Price inflation	204	202	201	206	209
Total inflation	733	747	756	773	787
Changes in Capital Financing	0	0	(24)	(10)	(40)
Budget commitments	(445)	(634)	14	2	24
Savings approved	65	(5)	0	0	0
Total Net Expenditure	38,493	38,601	39,347	40,112	40,883

Sources of Funding	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,517				
Business Rate Top Up	5,086				
Business Rates Baseline	7,603	0	0	0	0
Revenue Support Grant	3,157				
Settlement Funding assessment	10,760	10,222	9,711	9,225	8,764
Section 31 Grant Business Rates adjustment	420	0	0	0	0
Council Tax Collection Fund (Deficit) / Surplus	200	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(100)	0	0	0	0
Transition Grant					
Council Tax Requirement	27,213	28,019	28,847	29,702	30,582
Total Resources Available	38,493	38,241	38,558	38,927	39,346
Additional Savings Required / (surplus)	0	360	789	1,185	1,537

Impact of using 7.5% annual Settlement Funding Assessment reduction

Total Resources Available	38,493	37,972	38,054	38,218	38,459
Additional Savings Required / (surplus)	0	629	1,293	1,894	2,424

Commitments already included in the 2019/20 Revenue Budget

	£'000
Removal of temporary increases	
Cessation of the Business Rates Pool income plans to spend in Business Safety	(150)
Fleet Strategy adjustments	(62)
Transfer £300k into Sprinklers reserve, £100k this year added to £200k from last year	100
Service pressures	
Reduce FireLink Grant by 10%	23
Reduce New Dimensions Grant by 10%	4
Increase in Firefighter pension employers contribution rate	251
Increase in LGPS employers contribution rate of 0.5% (21.9% to 22.4%)	25
Other adjustments	
Changes to Corporate Contingency	(43)
Reduction in Capital Expenditure funded from the Revenue Account	(593)
TOTAL	(445)

Council Tax 2019/20

The table below illustrates the impact of different scenarios for increases in Council Tax in 2019/20.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Total Net Expenditure	38,493	38,601	39,347	40,112	40,883
Total Resources Available					
Increase 0.0% (Band D increase £0.00) then 1.94%	37,714	37,171	37,231	37,368	37,582
Increase 1.94% (Band D increase £1.77) then 1.94%	38,229	37,699	37,773	37,927	38,160
Increase 2.94% (Band D increase £2.68) then 1.94%	38,493	37,972	38,054	38,218	38,459
Additional Savings Required					
Increase 0.0% (Band D increase £0.00) then 1.94%	779	1,430	2,116	2,744	3,301
Increase 1.94% (Band D increase £1.77) then 1.94%	264	902	1,574	2,185	2,723
Increase 2.94% (Band D increase £2.68) then 1.94%	0	629	1,293	1,894	2,424

EAST SUSSEX FIRE AUTHORITY

Date 6 September 2018

Title of Report Provision of Insurance

By Duncan Savage, Assistant Director Resources / Treasurer

Lead Officer Warren Tricker, Finance Manager

Background Papers None

Appendices A – FRIC template report
 B – NFCC FRIC Case Study
 C – FRIC presentation

Implications

CORPORATE RISK	✓	LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To present to Members the proposal for the Authority to join the Fire and Rescue Indemnity Company (FRIC), an entity formed by other Fire and Rescue Authorities to act as a pool for insurance purposes from 1 April 2019.

EXECUTIVE SUMMARY The Authority purchases insurance cover in order to meet statutory requirements and to mitigate risk. This has been arranged in the past by tendering for the services via an EU compliant process with the support of a broker. The current five year long term agreement expires 31 March 2019. Following an option appraisal officers have selected a collaborative approach by joining FRIC, an entity formed by other Fire and Rescue Authorities, to act as a pool for insurance purposes. Under the pooling arrangements all the participating fire and rescue authorities would share financially with each other, on a proportionate basis, the cost of establishing a pool fund from which any loss incurred by an individual member of the insurance pool would be met.

This arrangement was first established by nine fire and Rescue Authorities in 2015.

RECOMMENDATION

Members are asked to agree:

1. The Authority's participation in pooling arrangement and that the Authority becomes a full member of the Company and authorises the AD Resources / Treasurer and the Monitoring Officer to take all necessary steps to achieve this,
2. that the Authority utilises the pooling arrangement for its corporate property, liability, motor and other miscellaneous insurance requirements for a minimum period of three years through FRIC with effect from 1 April 2019,
3. to participate in a financial guarantee for supplementary premiums should claims against the pool exceed the funding available and authorise the AD Resources / Treasurer to take all necessary steps to achieve this,
4. that officers may serve as Directors of the pooling entity and that the AD Resources / Treasurer or their nominee be empowered to represent the Authority's interests at any formal meetings of FRIC and to vote on its behalf if necessary,
5. the existing Insurance Reserve of £249,000 is used to manage the risks and opportunities identified, and
6. to waive the Authority's existing procurement rules that would require competing bids for the provision of insurance services to allow for the provision of cover for losses through the pooling company.

1. **INTRODUCTION**

- 1.1 The Authority has a statutory requirement to put in place certain insurances and also uses insurance to mitigate a range of risks. Historically the Authority has purchased its insurance cover from the open market via a broker. That model has served the Authority well and has helped us to manage the impact of major risks, for example the aftermath of the Marlie Farm incident in 2006.
- 1.2 Alternative models for insurance have been proposed in the past as the local government sector has sought to address limited competition in the insurance market and concerns about premium levels. There is now an established alternative model with a fire specific focus and this report recommends that the Authority adopts that model.
- 1.3 The Fire and Rescue Indemnity Company (FRIC) is an entity formed by other fire and rescue authorities, to act as a pool for insurance purposes. Under the pooling arrangements all the participating fire and rescue authorities would share financially with each other, on a proportionate basis, the cost of establishing a pool fund from which any loss incurred by an individual member of the insurance pool would be met. It is owned and controlled by the member Fire and Rescue Authorities, currently Bedfordshire, Royal Berkshire, Cambridgeshire, Cheshire, Devon and Somerset, Leicestershire, Kent, Hampshire and Essex. It is understood that a number of other fire authorities have either decided to join FRIC or are actively considering doing so. Losses above the pool's threshold are covered by insurance cover purchased by FRIC.
- 1.4 The Company was set up to provide an alternative to traditional insurance and give member fire and rescue authorities greater control over the cover provided and the management and settlement of claims.
- 1.5 FRIC has been trading since November 2015. The first two years published financial results are summarised below, but demonstrate a sound level of performance in line with that originally modelled:

	2015/16	2016/17
Contributions	£3,774k	£3,803k
Surplus	£471k	£136k
Expense Ratio	17.5%	19.2%
Combined Ratio	87.5%	96.4%

- The expense ratio in the insurance industry is a measure of profitability calculated by dividing the expenses associated with acquiring, underwriting and servicing premiums by the net premiums earned by the insurance company.

- A measure of financial year underwriting profitability. It is the sum of the net claims, commissions and expenses divided by net earned premium. This excludes instalment and other operating income, and investment return. A combined operating ratio ("COR") of less than 100% indicates profitable underwriting.

2. KEY BENEFITS

- 2.1 Cover is provided via a mutual arrangement, the structure of this arrangement means contributions are paid in to a 'pot' based in the individual risks and historic claims profile. It also takes into account the need for a variety of member deductibles depending on risk appetite and financial strength of the authority.
- 2.2 Although owned by the authorities FRIC is managed by Regis Mutual Management a private company based in London. Regis was selected through a competitive process and are experienced in providing a fully integrated and comprehensive services dedicated to developing mutuals in the public sector. Regis' in-house claims staff provide a claims handling service, assisting member authorities with any claims.
- 2.3 The hybrid discretionary mutual model means Insurance Premium Tax (IPT) is only due on the Protection Programme premiums that are paid to external insurers by FRIC on its and its members behalf. Currently, this has the effect of reducing the cumulative IPT liability by 2/3rds which at current tax rates means member authorities can claim a further £546k of savings over the same two year period, equivalent to 7% of contributions. This gives current annual savings of c£1.15m per annum across FRIC's current 9 member authorities, 15% of their contributions.
- 2.4 With its sector specific focus, over the life of FRIC it has developed a risk management assessment process. To support this FRIC established and supports the Fire and Rescue Risk Group (FARRG). As a result the process is more specifically suited to fire and rescue and the collaborative learning from FARRG's co-ordinated activity should over time help to reduce the frequency and severity of claims. Not only saving FRIC cash but the Member's operational and management time associated with each incident and related reputational impact.
- 2.5 The nine Authorities have worked together over the past five years to develop a risk management assessment process and to share best practice, including the benchmarking of risk management arrangements against best practice and a commitment to work to meet this standard. In addition FRIC, through a contract with Regis Mutual Management, provide some risk management support to help deliver the common risk management plan for the FRIC members.

3. SCOPE OF COVER

- 3.1 While FRIC provides all the key covers, there are some that officers have identified that the Authority currently enjoys but are not provided through FRIC. The following table identifies those gaps:

2018/19 Insurance	
PREMIUMS	FRIC
Employers & Public Liability	included in FRIC Liability Cover
Officials Indemnity	Included in FRIC PL
Employers Liability	Included in FRIC Liability Cover
Libel & Slander	Included in FRIC PL
Professional Negligence	Included in Public Liability and in Officials Indemnity
Leased cars	Included in fleet cover
All Fire Vehicles	Included in fleet cover
Property material damage	Included in FRIC Property
Property Terrorism	Non-mutual placement by Regis for FRIC Members, c£6k
Computer	Included in FRIC Property
Computer Terrorism	Non-mutual placement by Regis for FRIC Members, c£6k
Contract work All Risk	Included in FRIC Property
Contract work All Risk Terrorism	Non-mutual placement by Regis for FRIC Members, c£6k
Fidelity Guarantee	Included in FRIC Property
Personal accident	Non-mutual solution purchased separately on block by FRIC Members, being tendered for 1 Nov18
Engineering Inspection	Non-mutual solution purchased separately on block by FRIC Members, being tendered for 1 Nov18
Engineering other	Non-mutual solution purchased separately on block by FRIC Members, being tendered for 1 Nov18
MAPS	Non-mutual solution purchased separately on block by FRIC Members, being tendered for 1 Nov18
Broker fee	Fees for Protection Programme paid by FRIC. External brokers not used by FRIC Members

- 3.2 The Authority will have the option to purchase the non-mutual elements either directly from the market, from a national framework or through FRIC's solution which is expected to be in place 1 November 2018.
- 3.3 There will be an evaluation of policy wording to ensure that the covers offered by FRIC are comparable to those currently in place. This will be carried out as part of the "on-boarding" process.
- 3.4 The discretionary element is a legal device to ensure that the arrangement is not treated as insurance and there have been a number of legal judgements confirming this view. It does mean that the Authority would have no absolute guarantee that any particular claim would be paid, however such decisions would rest with the Directors of the pool who would have the power to agree to meet any claim made. In practice, there is a similar risk with an insured arrangement if the precise terms and conditions of the insurance contract are not met. Also in practice, the basis of the pooling arrangement is one of mutual trust, and if a claim was not met then there is a risk that the pool could collapse.

3.5 Directors of the company are appointed by the participating authorities; no single authority would have the right to appoint a director. As with the mutual insurance company it is proposed that these are drawn from appropriate professionals within participating fire and rescue authorities' supplemented by one or two experienced insurance industry figures. The company is run by a professional management company, Regus Mutual Management Limited, who are required to meet all the necessary professional requirements of the Financial Conduct Authority.

4. FINANCIAL ASSESSMENT

4.1 The Authority's current long term agreement for the provision of insurance comes to an end on 31 March 2019. It was let through a competitive process using the broker JLT and cover is provided by a number of insurers: Zurich Municipal, RMP, Chubb and MAPS. The total cost of insurance premiums and broker fees for 2018/19 is £566,923.66 including Insurance Premium Tax (IPT) at 12%. This is an increase of 3.28% on the previous year (including a 2% increase in IPT).

4.2 Details of the Authority's claims history and various measures and metrics commonly employed within the insurance industry was provided to FRIC and they were able to provide indicative prices. This allowed officers to conduct an initial evaluation. The indicative prices provided by FRIC have been compared to the premiums paid in 2018/19. Where no FRIC cover is currently provided premiums have been increased by 2.5% (the price inflation factor currently in use in the Medium Term Financial Plan). The forecast premiums for 2019/20 when compared to the actual premiums paid in 2018/19 indicate a saving of £188,000, as shown in the following table:

PREMIUMS	Current cover	FRIC	No cover provided	TOTAL
Public Liability	£103,596.24	£65,000.00	£0.00	£65,000.00
Officials Indemnity	£4,893.97	Inc. PL	£0.00	£0.00
Employers Liability	£148,774.73	£65,000.00	£0.00	£65,000.00
Libel & Slander	£1,659.84	Inc. PL	£0.00	£0.00
Professional Negligence	£4,384.80	Inc. PL	£0.00	£0.00
Leased cars	£5,093.55	Inc. motor	£0.00	£0.00
All Fire Vehicles	£179,668.71	£160,000.00	£0.00	£160,000.00
Property material damage	£47,754.94	£30,000.00	£0.00	£30,000.00
Property Terrorism	£6,390.92	£0.00	£6,600.00	£6,600.00
Computer	£10,163.00	Inc. property	£0.00	£0.00
Computer Terrorism	£739.79	£0.00	£800.00	£800.00
Contract work All Risk	£1,114.27	Inc. property	£0.00	£0.00
Contract work All Risk Terrorism	£80.64	£0.00	£100.00	£100.00
Fidelity Guarantee	£12,320.00	Inc. property	£0.00	£0.00
Personal accident	£19,993.81	£0.00	£20,500.00	£20,500.00
Engineering Inspection	£13,689.39	£0.00	£14,000.00	£14,000.00
Engineering other	£389.02	£0.00	£400.00	£400.00
MAPS	£1,086.04	£0.00	£1,100.00	£1,100.00
Broker fee	£5,130.00	£0.00	£5,300.00	£5,300.00
FRIC management fees, claims handling fees and relevant taxes		£10,000.00	£0.00	£10,000.00
Total 2018/19 Premiums	£566,923.66	£330,000.00	£48,800.00	£378,800.00

- 4.3 There is a one-off on-boarding fee of £15,000 payable as part of the process of joining FRIC to cover the legal and other expenses.
- 4.4 The Authority has historically had low levels of deductibles but would be required to move to the £5,000 minimum levels set by FRIC. As well as personal injury, of which the number of claims are minimal, the significant changes are in Property where the Authority has a headline deductible of £2,500 (with lower deductibles for specific incidents), and in Motor where the Authority currently has a deductible of £10,000. The higher property deductible obviously contributes to the lower cost of cover through FRIC. An analysis of the last five years property claims shows that if the FRIC deductible had been in place then there would have been addition cost to the Authority of £2,600 per year on average, with the largest single claim being £5,726.30. For motor cover, which increased from £5,000 to £10,000 in April 2013 over the last five years would have been better off by £3,740 per year on average however it should be noted that in the last three calendar years there have been two claims over £5,000 and one claim over £10,000 and in the last two years there have been none.

- 4.5 Current feedback from the Authority's broker and other sector commentators give a mixed message on the current state of the market. On one hand increased awards for injury claims and increasing levels of litigation together with a lower performing investment market are putting pressure on prices. However the current market is buoyant with new competition. The increase in premiums in the last year of the current long term agreement was 3.5% overall although when the IPT increase is factored in this grows to 5.8%.
- 4.6 JLT and other commentators have been asked about the current market position are reluctant to commit. Six to nine months ago the Service was being cautioned that motor insurances being sold at the time were experiencing increases of 10% or more and there was some indications of even larger increases. Since then there has been more relaxed feedback however, there remains an expectation that for the same level of cover there would be an increase in premiums and that a tender exercise with the deductibles increased to the same level as with FRIC there is no indication that this would achieve the same level of saving as currently offered by the indicative quote from FRIC.
- 4.7 An example of the sector specific risk management available through FRIC is the offer of a reduced motor premium subject to vehicle fleet being fitted with video recording devices. FRIC have quoted a £300 per year saving for each fire appliance which would equate to £12,600 saving per year. Similar percentage savings are offered for the rest of the fleet. A business case for the fitting of cameras to the fleet will be presented to Senior Leadership Team in due course.
- 4.8 The pooling arrangements require the Authority to provide for the possibility of an in-year supplementary payment of 5.5% of the annual payment. Based on the indicative pricing from FRIC, if it were to be required an in-year payment of £17,600 will be required which equates to £52,800 over the initial period of membership. The Authority also needs to consider the risk of additional costs as a result of the increase in deductibles. Based on historic claims data this could be of the order of £9,400 per annum but we would expect this to reduce through pro-active risk management during our membership. In addition we may need to consider investment in pro-active risk management activities to reflect the best practice identified by FRIC and to minimise claims and reduce cost further e.g. potential investment in fitting cameras to the fleet or considering higher deductibles for liability and motor. On this basis it is recommended that the Authority leaves the Insurance Reserve at its existing balance of £249,000 and uses it to manage to risks and opportunities identified.
- 4.9 Officers have provided a much more detailed return to FRIC in preparation for the on-boarding process and await firmer prices from FRIC.

5. LEGAL IMPLICATIONS

- 5.1 The Pooling arrangement recommended here takes the legal form of a Hybrid Discretionary Mutual. In arriving at this model, various options were considered. These options included a buying group, a fully authorised insurance mutual, a fully discretionary mutual and a hybrid discretionary

mutual. They are all forms of pooling. However, to take risk a pool needs a formal structure and one that does not infringe regulatory requirements.

- 5.2 The Hybrid Discretionary Mutual route was chosen since this allows pooling of risk, combines the benefits of a discretionary mutual in terms of structural precedent, flexibility and provides authorised, rated insurance for the larger losses. As well as producing financial benefits in terms of annual cost, it is also capital efficient.
- 5.3 Discretionary mutuals have been in existence for over 150 years. The legal basis for them was well established in the seminal case Medical Defence Union vs Department of Trade (1979) where the court ruled that such structures did not fall foul of the Insurance Acts since the members only had the right to have their claim considered.
- 5.4 The Financial Conduct Authority has published guidelines as to what constitutes insurance and has followed the principles laid down in the Medical Defence Union case. As a result it is clear from both the case law and the Regulatory regime that such mutual do not constitute regulatory activity.
- 5.5 The Mutual (through the managers) will however be purchasing insurances (group excess of loss contracts) on behalf of the members and as such will be carrying out Intermediary activities which are regulated. There are two options for the mutual under the FSMA 2000 S19 and FSMA (Regulated Activities) Order 2001. Either the mutual can be regulated under its own name or it may become an appointed representative of another authorised person. The option taken was the Discretionary Mutual model. FRIC was created as a company limited by guarantee and trades as an Appointed Representative of an authorised Principal (it's Manager in this case). There is no capital requirement. Start-up costs were funded by founding Members and thereafter the business aims to be self-sustaining, funded by Member Contributions as determined by the Board.
- 5.6 The Hybrid structure is based on the discretionary mutual retaining a portion of each risk, subject to a predetermined finite figure (an aggregate limit) and then the mutual arranging an insurance policy to sit above the Mutual's retention with all members named as an insured on that policy (a group excess of loss policy). In this way the members can all say that they are 'insured' under the group policy but with a high excess which is covered by their discretionary mutual. This has the added advantages that a letter of credit from the mutual in favour of a fronting insurer only needs to cover the mutual's retention and not the whole risk and there is still a substantial saving in that the contributions remaining in the mutual do not attract Insurance Premium Tax of 12%.
- 5.7 The structure of the pool consists of a company limited by guarantee with members and not shareholders. Each member has one vote at an AGM and the membership will elect a Board for amongst their number. Returns of surpluses, if any, will be made pro rata to each member's proportion of contributions. The Board is non-executive and it contracts with a professional mutual management company to outsource the day to day operation of the

mutual. The Board will make all the policy decisions and the managers' job is to carry out those decisions and bring all the necessary insurance and management skills into the equation to make sure the mutual runs well.

6. VIRES (legal powers)

6.1 In Brent LBC vs Risk Management Partners [2009] EWCA Civ 490 the Court of Appeal affirmed the decision of the High Court that Brent had no power under either:

- section 2 of the Local Government Act 2000 (the well-being power); or
- section 111 of the Local Government Act 1972.

to

- become a member or participating member of London Authorities Mutual Limited (LAML), a company limited by guarantee.
- make payments or to enter into commitments to make payments to LAML.

6.2 In response to this ruling Parliament provided via section 34 of the Local Democracy, Economic Development and Construction Act 2009 the power for local authorities including FRAs to establish mutual insurance arrangements. The provision has not been brought into force. This is undoubtedly because of the general power of competence and new general powers for FRAs provided for in the Localism Act 2011.

6.3 As a result (of the Localism Act) Section 5A of the Fire and Rescue Services Act 2004 provides that a relevant fire and rescue authority may do:

- anything it considers appropriate for the purposes of the carrying-out of any of its functions (its “functional purposes”),
- anything it considers appropriate for purposes incidental to its functional purposes,
- anything it considers appropriate for purposes indirectly incidental to its functional purposes through any number of removes,
- anything it considers to be connected with—
 - (i) any of its functions, or
 - (ii) anything it may do under paragraph (a), (b) or (c), and
- for a commercial purpose anything which it may do under any of paragraphs (a) to (d) otherwise than for a commercial purpose.

This new power overcomes the problem in the Brent case. Therefore, the Authority has the vires to become a member of a company and to make payments to that company for the purposes of providing mutual insurance cover.

6.4 The Authority's Constitution requires that for services this value to comply with European Regulations on procurement and to make a public notice of the proposed services should seek at least four tenders. FRIC have complied with those Regulations and Members are asked to agree a waiver of Contract Standing Orders, not seeking at least four quotes.

7. RISK ASSESSMENT

- 7.1 The risk of FRIC failing is deemed extremely unlikely. FRIC is now well established and has a mature operating arrangement. There is some history of issues with mutual insurance arrangements however changes in legislation and appropriate operating arrangements have resulted in a number of examples being or planned to be put in place. In this event because FRIC buys Excess of Loss and Aggregate insurance the liability of FRIC for adverse claims costs are capped in any one year. Should FRIC fail the Authority's exposure is limited to £100.
- 7.2 FRIC produces quarterly Management Accounts monitor movement in previous years and Members are kept fully apprised through the Board. In trading to date since Nov15, there is nothing to suggest a cash call will be required, indeed the opposite is currently true evidenced by the current surplus. There is an EU compliant Framework Agreement that can be used by the Authority to obtain cover beyond this.
- 7.3 FRIC, through its current arrangements, provide cover to its existing members. In the initial work there is no indication that these covers are in any way inferior to those currently enjoyed by the Authority. The only significant difference being in the level of deductibles (excess) in property cover. As part of the on-boarding process it is planned to employ an insurance industry expert to give an independent view of the proposed arrangements.
- 7.4 As a mutual FRIC cannot guarantee that claims will be paid which could expose the Authority. FRIC representatives explain that trust is a key element in the mutual arrangement and there is no record of a claim being refused. With appropriate capitalisation in place, an exceptional option for an in-year supplementary payment and a high profile, sector specific, risk management arrangement, a set of circumstances where a claim would be refused appears unlikely, unless the Authority had failed to take action recommended by FRIC to improve its claims performance.
- 7.5 The traditional approach would be to enter into a contract for typically four years and the cost of the insurance would be set for the first year with a long term agreement to limit increases to broad measures of price inflation unless circumstances changed significantly. With FRIC there is no long term agreement and a new "price" is set each year. There is a risk that costs would increase significantly above that allowed for in the budget setting process. The risk of this is very low as no members have left FRIC, none have raised cost increases as an issue and ultimately the indicative costs are offering a large saving.

8. CONCLUSION

- 8.1 The Authority has relied on the traditional approach to procuring and providing insurance cover, the financial mitigation to risk and the statutory obligation to protect its employees and the public.

- 8.2 FRIC is an innovative yet mature alternative to the provision of insurances cover that specifically supports the fire authority sector. Joining FRIC allows the Authority to work collaboratively with other fire and rescue authorities, both in insurance and business risk management.
- 8.3 Although the quotes are indicative, when compared to current premiums, reports of above inflation increases for some covers and allowing for changes in deductibles the savings are significant.
- 8.4 The on-boarding documents have been completed and submitted to FRIC and a more certain price is expected. Officers will engage an insurance sector expert to carry out a “due diligence” type review of FRIC policy cover before formally applying for membership. FRIC representatives have said that the whole process will be completed comfortably for 1 April 2019.

BACKGROUND

In 2013 a group of Authorities commissioned a study of the potential to achieve savings in insurance costs through an alternative to the purchase of insurance in the open market. The study modelled a range of loss scenarios using 10 years of claims data for a discretionary mutual arrangement. In 2015 these authorities created the Fire and Rescue Indemnity Company Ltd to put the mutual arrangements in place. In 2018 the Local Government Association has also taken the first steps to establish a similar mutual arrangement for County Councils.

Recent claims experience has been mixed with a small number of high value claims leading to significant premium increases for motor insurance from the current insurer. As a consequence of this the Fire and Rescue Authorities insurance consortium has again turned to alternative risk sharing alternatives to see if they have the potential to reduce the costs of insurance.

FEASIBILITY STUDY

In March 2013 the nine authorities¹ in the insurance consortium commissioned a study to explore various pooling scenarios. Data for the study, comprising five years claims experience for all the authorities was provided and Regis Mutual Management was selected to carry out the study. They issued their Pooling Concept Feasibility Study in May 2013. The study was conducted using confidentiality agreements to ensure that it would have no commercial impact on the tendering of the consortium's insurance renewals in the summer of 2013. These commercial considerations also delayed the bringing forward of these proposals for approval.

The study recommended the formation of an entity to act as a pooling mechanism to allow all nine Fire and Rescue Authorities to share risk and reduce insurance costs. A hybrid pooling model was suggested with a discretionary pool for the attritional losses and conventional insurance for larger losses. The use of such a discretionary route is well established and is enshrined in the Financial Conduct Authority (formerly Financial Services Authority) handbook.

The technical summary of the modelling undertaken by Regis are included as Appendix 1. A full copy of the feasibility Study is available to Members on request. Based on the historic claims experience of the nine authorities the most likely outcome was estimated to be a saving of some £1.5m out of total premiums of £19.7m – a saving of 7.6% shared across the nine FRAs. Under this modelling scenario there would be the need for supplementary calls on Authorities in some years; these would be 5.5% of annual contributions.

¹ The nine are Bedfordshire Fire & Rescue Authority, Cambridge & Peterborough Fire Authority, Cheshire Fire Authority, Devon & Somerset Fire and Rescue Authority, Essex Fire Authority, Hampshire Fire Authority, Kent & Medway Towns Fire and Rescue Authority, Leicester & Rutland Combined Fire Authority, Royal Berkshire Fire Authority.

Table 1: Pool Structure

Fleet Retention ² per Claim	£500km	Cross Class Aggregate Insurance ³ for retained losses between £2m and £5m. Excess Layer insurance ⁴ beyond £5m
Liability Retention per Claim	£200k	
Property Retention per Claim	£100k	
Risk Gap / Supplementary Call	£200k or 5.5% of Contributions	

The modelling using the actual claims experience for the last five years showed that provision is required for Authorities to provide guarantees of funding against supplementary calls if the pool is to be sustained before it is able to build up its balances. To achieve this a provision for supplementary calls is included in the pooling arrangements.

RESULTS ACHIEVED

FRIC has been trading since November 2015. The first two years published financial results are summarised below:

	2015/16	2016/17
Contributions	£3,774k	£3,803k
Surplus	£471k	£136k
Expense Ratio	17.5%	19.2%
Combined Ratio	87.5%	96.4%

These results are at the upper end of expectations confirming that the mutual pooling arrangement is a viable and potentially cost saving alternative to conventional insurance.

Once each risk year is closed the final surplus from that year will be able to be returned to the member authorities in proportion to their contribution in that year. Once FRIC target level of reserves is reached (20% of member contributions), interim payments may be made.

Since it started trading to August 2018 there have been no significant incidents to date to impact on a similar trading result.

² The amount paid out of the Pool's funds.

³ An aggregate insurance policy with an attachment point applying across the sum of claims for two or more classes of insurance.

⁴ An insurance policy covering the loss in excess of a stated amount.

RISK MANAGEMENT

The nine Authorities have worked together over the past five years to develop a risk management assessment process and to share best practice, including the benchmarking of risk management arrangements against best practice and a commitment to work to meet this standard. These activities are designed to help all authorities reduce the cost of claims and thereby reduce insurance costs. Currently the Authorities all self-assess against an agreed matrix of best practice to help focus their own risk management efforts. In addition FRIC, through a contract with Regis Mutual Management, provide some risk management support to help deliver the common risk management plan for the FRIC members.

POOLING STRUCTURE

The use of a company to manage a discretionary pooling of funds to meet losses is a recognised alternative to conventional insurance. It is common amongst other groups of organisations such as Universities who share common risks. When the size of each body is not sufficiently large to carry the risk of a large policy deductible or excess these cost saving benefits can be achieved through a discretionary pool.

The discretionary element is a legal device to ensure that the arrangement is not treated as insurance and there have been a number of legal judgements confirming this view. It does mean that the Authority would have no absolute guarantee that any particular claim would be paid, however such decisions would rest with the Directors of the pool who would have the power to agree to meet any claim made. In practice, there is a similar risk with an insured arrangement if the precise terms and conditions of the insurance contract are not met. Also in practice, the basis of the pooling arrangement is one of mutual trust, and if a claim was not met then there is a risk that the pool could collapse.

Directors of the company are appointed by the participating authorities; no single authority would have the right to appoint a director. As with the mutual insurance company it is proposed that these are drawn from appropriate professionals within participating Fire and Rescue Authorities supplemented by one or two experienced insurance industry figures. The company is run by a professional management company, Regis Mutual Management Limited, who are required to meet all the necessary professional requirements of the Financial Conduct Authority.

RISK MANAGEMENT IMPLICATIONS

Insurance is about risk, and the operation of a pooling arrangement in place of insurance is in itself risky. There will be a potential call for supplementary contributions if the overall claims experience of the pool exceeds the year's contributions and any carried forward surplus. During start-up phase in 2015, when another year's claims data was added to the actuarial model the analysis confirmed the likelihood of aggregate breach was more remote than first assessed so the Risk Gap was increased. There is nothing in the data to date (August 2018) to suggest costs running anywhere close to the Risk Gap threshold; in fact the opposite recording surplus in each year to date. As the financial model matures FRIC takes some degree of comfort from its cash reserves and IBNR provisions and has accepted a Risk Gap of circa 20% of Gross Contributions for the current year. The Managers conduct and annual Actuarial Review of all open years and report

this to the Board and FRIC’s Auditors. This Risk Gap for any one year is reviewed as part of the annual budgeting process having due regard for FRIC’s own Risk Appetite Statement. The maximum exposure of the Authority is projected to be 5.1% of annual insurance premiums. The risk of losing this amount is mitigated by the use of professional pool managers to deal with claims handling.

At the other end of the risk spectrum there is potential for significant reductions in our annual insurance costs, both through lower premiums and lower levels of losses. The benefits from the shared approach to best practice in risk management provides a significant opportunity to drive down both the direct and indirect costs associated with incidents that lead to insurance claims. All of the benefits of these improvements fall to the authorities participating in the pool, through potentially lower future contributions, rather than increased profits for insurers.

FINANCIAL IMPLICATIONS

A feasibility study was carried out by Regis Mutual Management Limited (Regis) which already supports a number of similar insurance pooling arrangements. The basis of the study was to see if a pool would be feasible using as its funding the same level of insurance premiums paid by the consortium FRAs in 2012/13. The financial results from this study are reported below:

SUMMARY OF INSURANCE ARRANGEMENTS

The data made available for modelling included coverage, spend and claims for Fleet, Employers’ and General Liability, and Property. No claims information was provided for “Additional Covers” (Personal Accident, Travel and Computers etc.), hence these ancillary classes could not be included within the modelling but this premium is collectively only similar in size to the property class.

Of the four classes Regis has been able to model, the annual premium spend is dominated by Fleet (63%), followed by Public Liability (17%), Employers’ Liability (14%) and Property (6%). The portion attributable to Fleet is in line with loss activity. The modelling has also looked at the composition of members losses across these classes:

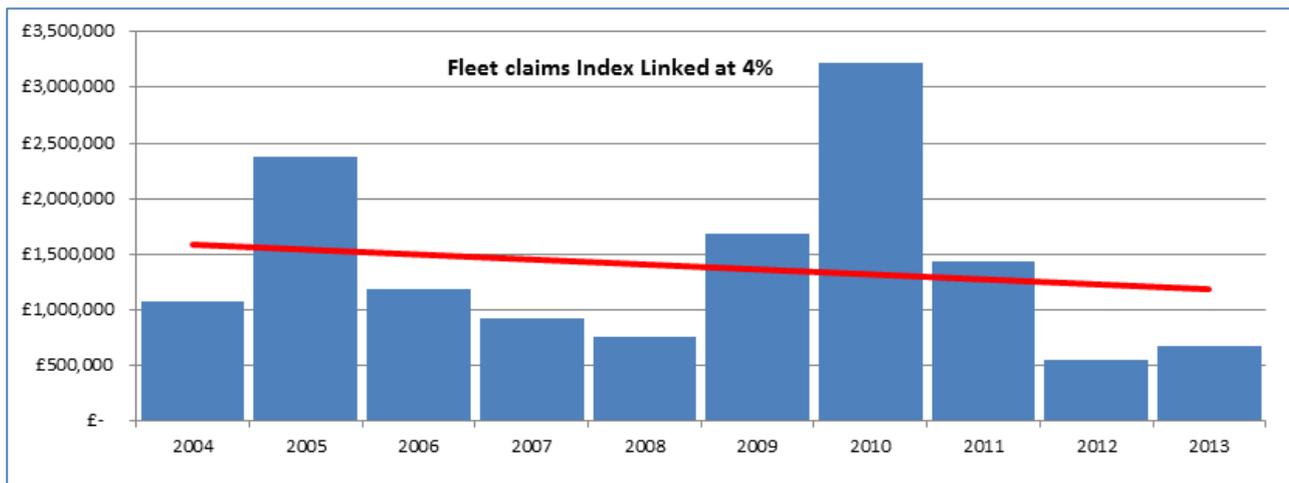
Figure 1 Insurance Losses 2008-2013



The composition of losses by class, by member, by year for Fleet was analysed. By index linking the historic fleet losses at 4% per year and extrapolating out the 4 month 2012-13 data to a full

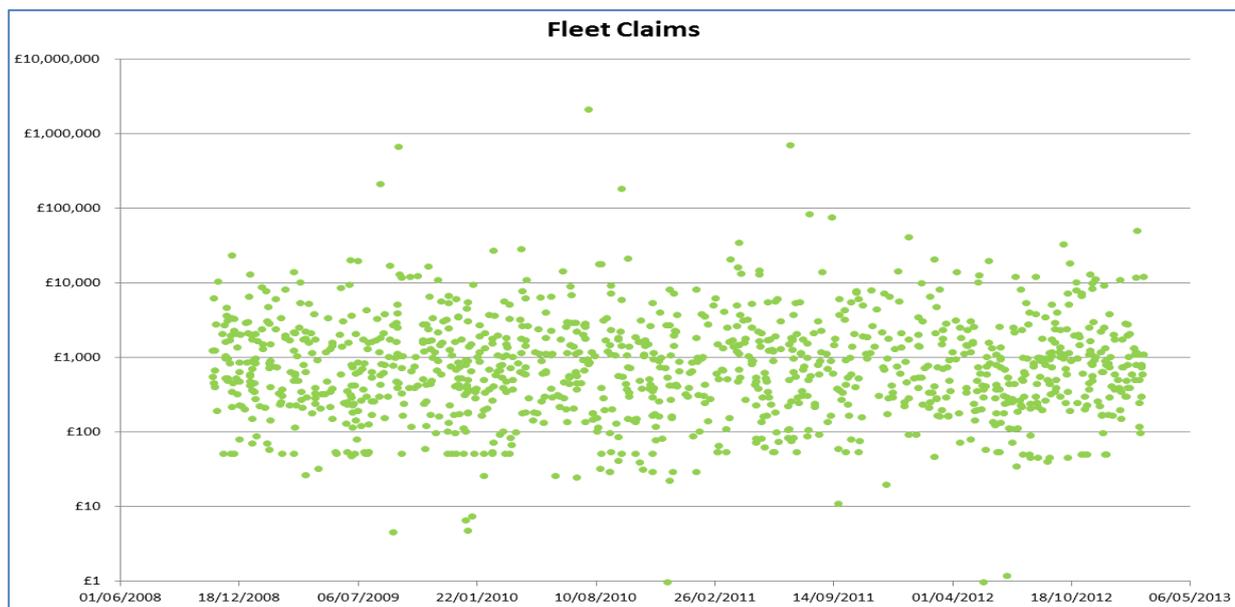
year, it can be seen that the average Fleet claims cost per annum has fallen from circa £1.6m to circa £1.2m, a 25% reduction:

Figure 2 Insurance Claims 2004 - 2013



Looking at the Fleet loss experience in the chart below (logarithmic scale), it can be seen that there is a significant volume of loss activity being passed to insurers (cost and frequency):

Figure 3 Fleet Claims 2008 - 2013



HYBRID DISCRETIONARY POOL STRUCTURE

A pool is an entity formed by a group of Authorities (the “members”) exposed to some risk or contingency common to the group who are prepared to share financially with each other, on a proportionate basis, the cost of any loss or predetermined level of risk incurred by an individual member, if the contingency occurs to the member. A discretionary pool is a pool which does not carry on insurance business.

The discretionary pool may take the form of a “fully discretionary” model or a “hybrid” model. In the discretionary model all cover given by the pool to its members is discretionary. The pool then protects itself from large single losses by purchasing insurance above a predetermined retention level and by purchasing aggregate insurance to protect itself from an unexpected aggregation of losses within its retention.

The hybrid model bears a retention which might be identical to the fully discretionary model. However, instead of the pool purchasing insurance for its own account for the large losses above its retention, the pool takes out a master excess policy with an insurer with every member of the pool named as an insured under that policy. Each member can therefore claim to be insured subject to a high excess which is covered in their discretionary pool. The modelling of both structures is identical and is set out in the next section.

The hybrid pool takes into account the need for a variety of member deductibles depending on risk appetite and financial strength/size of the different authorities in the group. It creates new “insurance capacity” from the members of the group and generates underwriting surpluses for those members.

This structure is also attractive to supporting insurers, demonstrating a desire on the part of the members to control claims and also moving the insurers further away from the attritional losses. Both factors will help attract new insurers to participate in the FRIC risk and open up the market to new entrants. Benefits accruing from improved Risk Management will also flow directly to the members. The hybrid discretionary pool structure is recommended by Regis.

POOLING SCENARIOS

A number of discretionary and hybrid pooling scenarios were considered as part of the Regis study. These included:

- Recommended scenario – hybrid pool
- Alternative lower retention scenario – fully funded hybrid
- Alternative aggregate first loss deductible
- Retaining more risk in future years
- Fleet specific large loss infill layer
- Fleet specific stepped blue light deductible
- Employee benefit pool

Each scenario description was supported by a summary financial model, ‘what if’ results and a description of its advantages and disadvantages. The ‘what if’ results for the recommended hybrid pool option are summarised below.

FIVE YEAR FINANCIAL MODEL – HISTORIC CLAIMS EXPERIENCE

The base analysis repeats the past five years of claims as if this model was in place. Claims and contributions have been index linked with Year 1 claims based on 2008/09 claims, Year 2 on 2009/10 and so on; and Year 5 is based on an extrapolation 2012/13 year to date claims. Contributions are based on 2013 premiums and we have assumed the existing allocation between members is maintained.

The Pool retentions are assumed to be ground-up and it has been assumed that the current member deductibles are maintained. Therefore, under this scenario the amount paid by the member below their deductible counts towards the Pool's retention and so the maximum the member and Pool would retain in total is £1m per fleet claim, £250k per liability claim and £100k per property claim. However, only claim amounts paid by the Pool count towards the £2m cross class aggregate retention.

Note that under this scenario the mutual suffers significant claims in the first two years of operation.

Mutual	Recommended Scenario Historic Claims Experience					Total
	Year 1	Year 2	Year 3	Year 4	Year 5	
<i>In GBP thousands</i>						
CONTRIBUTIONS	3,718	3,830	3,944	4,063	4,185	
INVESTMENT INCOME	7	7	7	12	11	
TOTAL INCOME	3,725	3,837	3,952	4,075	4,196	
EXCESS & AGGREGATE INSURANCE	1,325	1,365	1,406	1,448	1,491	
RETAINED CLAIMS	2,100	2,163	2,228	1,053	1,526	
OPERATING EXPENDITURE	491	505	520	535	550	
TOTAL EXPENDITURE	3,916	4,033	4,154	3,035	3,567	
						Total
Surplus Generated in Year	(191)	(196)	(202)	1,040	628	1,080
Profit Share	95	-	101	104	107	407
Supplementary Call	96	196	101	-	-	393
Ultimate Surplus	-	-	-	1,144	735	1,879

The model assumes that a supplementary call (5.5% of annual contributions) is used to cover the risk gap and using the historic claims experience this is required in the first three years because of the relatively high attritional claims in 2008/09 and 2010/11 and two large losses in 2009/10 (£2.4m fleet claim and £1m Employers' Liability claim).

Alternatively, the Pool could choose to fund this upfront with a 5.5% increase on current premium levels. Over 5 years, assuming supplementary calls are made in each of the first three years, the

Pool would accumulate a £1.88m surplus, of which £407k results from profit share from excess insurers and £393k from supplementary member calls.

Both the excess and aggregate insurer experience losses in year 2 but the surpluses generated in the remaining years ensure they still accumulate a healthy surplus over five years of £2.75m and £536k respectively.

Modelling suggests that the Pool will experience losses at the level seen in 2010 about once every ten years and it has also been observed that there is a general downward trend in the attritional loss experience over the past ten years. Therefore the average five year performance of the Pool is expected to be better than that modelled above.

ACTUARIAL SCENARIO MODELLING

The claims have also been modelled using actuarial techniques. The scenarios should be interpreted as follows:

SCENARIO	RETURN PERIOD	INTERPRETATION
Optimistic	1 in 4 year event	25% probability claims are less than estimated amount 75% probability claims are higher than estimated amount
Average	1 in 2 year event	50% probability claims higher or lower than estimated amount
Prudent	1 in 4 year event	75% probability claims are less than estimated amount 25% probability claims are higher than estimated amount
Cautious	1 in 10 year event	90% probability claims are less than estimated amount 10% probability claims are higher than estimated amount
Stress Test	1 in 50 year event	98% probability claims are less than estimated amount 2% probability claims are higher than estimated amount

The Actuarial Scenario Modelling illustrates the potential volatility under extreme conditions in the Pool result. Claims experience is naturally volatile and the large loss experience is particularly volatile, as these losses are infrequent. By retaining the first £1m of each Fleet claim the Pool retains most of this volatility, benefitting from a reduction in insurance premium in return, but this also results in volatility of the Pool's annual surplus.

Under the proposed arrangements two separate insurers would provide additional cover. In the event Equity Red Star at Lloyds were selected to provide Motor insurance. Non-motor classes and FRIC's own Aggregate Stop Loss insurance are with Builders Direct SA. These contract currently run to October 2019. Re-procurement is scheduled for summer 2019 although there is an option to extend for 1 further year if needed.

Recommended Scenario					
Actuarial Scenario Modelling					
Mutual	Optimistic	Average	Prudent	Cautious	Stress Test
<i>In GBP thousands</i>					
CONTRIBUTIONS	3,718	3,718	3,718	3,718	3,718
INVESTMENT INCOME	10	9	8	8	8
TOTAL INCOME	3,728	3,727	3,726	3,726	3,726
EXCESS & AGGREGATE INSURANCE	1,325	1,325	1,325	1,325	1,325
RETAINED CLAIMS	1,400	1,653	2,057	2,100	2,100
OPERATING EXPENDITURE	491	491	491	491	491
TOTAL EXPENDITURE	3,215	3,469	3,873	3,916	3,916
Surplus Generated in Year	513	259	(147)	(190)	(190)
Profit Share	95	95	-	-	-
Supplementary Call	-	-	147	190	190
Ultimate Surplus	608	354	-	-	-

The “Average” scenario, which has a 50% chance of under or over-estimating the claims expense, produces an annual surplus of £259k. The £2m cross class aggregate caps the Pool’s potential deficit at £190k, this represents a call of just over 5% of premium. In a good year the Pool could generate £608k of surplus; this is 16% of premium.

ALLOCATION OF CONTRIBUTIONS (RATING)

Rating of members must adhere to a simple overarching philosophy:

It must be relevant, transparent and equitable. It must also achieve the desired overall outcome from the Pool’s perspective in that it must ensure that the Pool’s outgoings are funded in advance (apart from any previously agreed additional call facility).

The Pool’s financial and insurance structure provides the essential framework that guides the Managers’ underwriter to set the rates. The rates must cover the worst case claims scenario (i.e. up to the aggregate attachment point), the administration costs and the insurance costs for the excess programme and the aggregate cover. When the Pool has built up a reserve the Board may decide that it is not necessary to fully cover the worst case claims scenario and might be prepared to put some of the surpluses at risk.

The Board’s role is to guide the managers as to what rating factors they should be applying when setting members rates. The members, through their Board, know their industry better than anyone else and can ensure that the rating methodology used is relevant, transparent and equitable.

For the purposes of the modelling it was assumed that the current rating and premium allocation would be maintained during the start-up phase. A contribution model was introduced for 2017/18 to reflect the value and frequency of claims experienced by each member. Through the rating structure the Pool adopt a carrot and stick approach to risk management and the adoption of best practice across the membership. For example, significant discounts are given for appliances fitted with cameras as these have been of benefit to significantly reduce the cost of potential claims.

New members - When new members join they will be rated in the same way that existing members have been rated. In relation to accumulated surpluses, each year stands on its own and new members would not benefit from any return of surplus in relation to the years they were not members. New members could benefit from undistributed surpluses that the Board decided to accumulate, but on the other hand they would hopefully be contributing to the generation of further surpluses once they join.

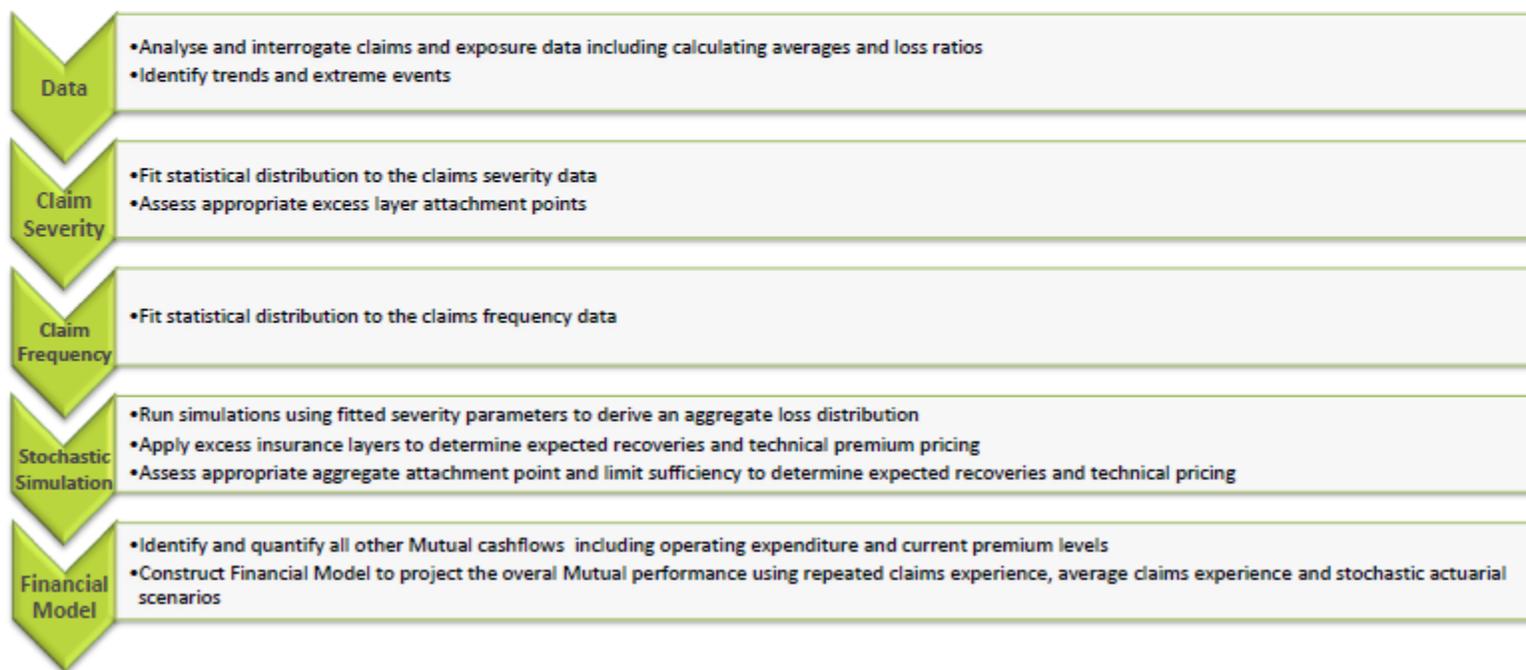
OPERATING COSTS

Around 60% of the costs of FRIC are fixed elements for the aggregate and excess insurance costs (including brokerage costs), and administrative and claims handling costs. These services are provided by a contract with Regis Mutual Management and make provision for new members to join.



23.1 APPENDIX 1 – MODELLING PROCESS SUMMARY

The modelling process summary is outlined below:





The Fire & Rescue Indemnity Company

The Company was set up to provide an alternative to traditional insurance and give member fire and rescue authorities greater control over the cover provided and the management and settlement of claims.

Over the years, third party insurance has been very costly with very little competition in the fire sector. This alternative was researched and the Fire and Rescue Indemnity Company (FRIC) was subsequently set up for the mutual management of risk, to provide discretionary cover and the purchase of external insurances. It is owned and controlled by the member fire and rescue authorities (currently Bedfordshire, Royal Berkshire, Cambridgeshire, Cheshire, Devon and Somerset, Leicestershire, Kent, Hampshire and Essex)

In its first two years FRIC has delivered a surplus of £607k, equivalent to 8% of the contributions from each Member Authority.

This is money that would otherwise have gone out of the public sector, instead it can be retained to support further improvements and drive better risk management and ultimately, deliver lower costs for FRIC's members.

Mike Clayton, Chairman of FRIC recently quoted – “If we can achieve this level of saving with nine members, think what might be achieved with twelve, or twenty, or all of the Fire Service.”

Furthermore, the hybrid discretionary mutual model means Insurance Premium Tax (IPT) is only due on the Protection Programme premiums that are paid to external insurers by FRIC on its/Members behalf.

Currently, this has the effect of reducing the cumulative IPT liability by 2/3rds which at current tax rates means Authorities can claim a further £546k of savings over the same 2 year period, equivalent to 7% of contributions."

This gives current annual savings of c£1.15m per annum across FRIC's current 9 member authorities, 15% of their contributions.

FRIC is keen to welcome new members that wish to share the benefits of mutuality and a continuous improvement culture. To aid transition the Mutual aims to offer cost neutral protection for the first 2 years to enable new members to establish their own risk profile and develop their risk controls in line with other members. Thereafter, contributions are based on risk and claims performance, with members sharing in the financial benefits from each year in which they are a member.

The Fire and Rescue Risk Group (FARRG)

The key to long term savings in risk protection costs is the active management of risks and the development of best practice in this area. To support this, FRIC established and supports the Fire and

Rescue Risk Group. This Group is open to any authority to join who are looking to work collaboratively to improve its claims experience with no obligation to join FRIC but who are willing to share its knowledge and experiences, and prepared to work collaboratively to develop improved risk controls and reduce claims. This Group looks to develop mutually agreed policies and procedures, and provide funded access to joint training, risk management products and expertise. Anyone interested in finding out more about joining either FRIC or FARRG can do so via the following contacts:

FRIC:

mike.clayton@fric.org.uk

or

www.fric.org.uk

FARRG:

Charles.Thomas@essex-fire.gov.uk

In addition to these cashable savings, it is also worth noting the following benefits:

Funds set aside for future claims

FRIC takes a prudent approach to its liability for future long tail claims development and is holding considerable IBNR reserves to pay for this. These reserves are subject to annual actuarial review and it is hoped that in the fullness of time that releases will be possible as underwriting years mature.

Effective risk management

The Fire & Rescue Risk Group (FARRG) delivers Member focused operational risk management for FRIC. The collaborative learning from FARRG's co-ordinated activity should over time help to reduce the frequency and severity of claims. Not only saving FRIC cash but the Member's operational and management time associated with each incident and related reputational impact.

Claims handling efficiency

FRIC's cloud based end to end claims handling system significantly improves the claims handling process for FRIC Members and the Mutual, allowing Member self-managed and FRIC managed files to be handled on the same system, creating a single consistent data set without rekeying.

Data

Exceptionally detailed incident management information and analysis informing risk and outcome based decision making"

Comprehensive product

Consistent protection wordings, custom fit for changing FRA's. Includes bolt ons, MTFA, MIRG, Co-responding, Drones, Boats

Procurement

As a wholly owned and controlled local authority company, there is no need for Fire Authorities to undertake a tender process to join, and membership can start on the expiry of your existing arrangements.

A procurement process was undertaken to identify a risk mutual manager, to manage the process of claims handling and administration. The successful bidder was Regis Mutual Management Limited (RMML).

Direct and indirect savings assured via simple application process

Cambridgeshire Fire and Rescue Service Narrative

The new insurance arrangements commenced on 1 November 2015 after being approved by the Fire Authority in February 2014. This is renewed annually.

The mutual allows for us to hold cash in reserves within the FRIC. Where these funds are not used for claims, the mutual will retain the funds for future use. If this were a third party supplier, any insurance premium received but not used, would be retained as profit. It is important to recognise the non-cash benefits as mentioned above when looking at overall cost comparisons.

As a Service, being part of the mutual means we can directly affect our costs. By introducing such things as CCTV on all vehicles, we could see a reduction in the amount that we would pay into the mutual year on year. Costs are also based on claims data, so if we individually manage our risk well and in turn have less claims, our costs will reduce.

The Service, in conjunction with RMML, manages the claims internally and will make a decision as to whether the claim is paid. As a result, the Service owns the claim once submitted and can control how it is managed. Previously, claims would be managed by an Insurer and decisions made where the Service had no input. Any claim is effectively managed through a cloud based claim management system. This ensures that the process is more efficient as claims information is easily accessible by both the Service and RMML.

FRIC



Fire & Rescue Indemnity Company

Agenda

- Background to FRIC

Typical Questions

- Value for money v conventional insurance
- Potential returns.
- Risk owned by an Authority by being a partner – What the current financial risk is now (value), what level of financial risk you think we need to consider our membership. How much should we hold in reserves to cover this risk above the norm.
- Risk to an Authority if membership is not increased, viability of the mutual etc.
- Risk to an Authority if membership is extended to higher risk partners or non-sector partners.
- What happens to FRIC members if they are taken over by PCC?
- What the exit strategy is and how long we may hold risk, post leaving FRIC.

What is FRIC?

- A Hybrid Discretionary Mutual
- Owned and controlled by the member fire and rescue authorities
- Discretion to agree claims outside of terms of cover
- Manages a large deductible and buys external insurance

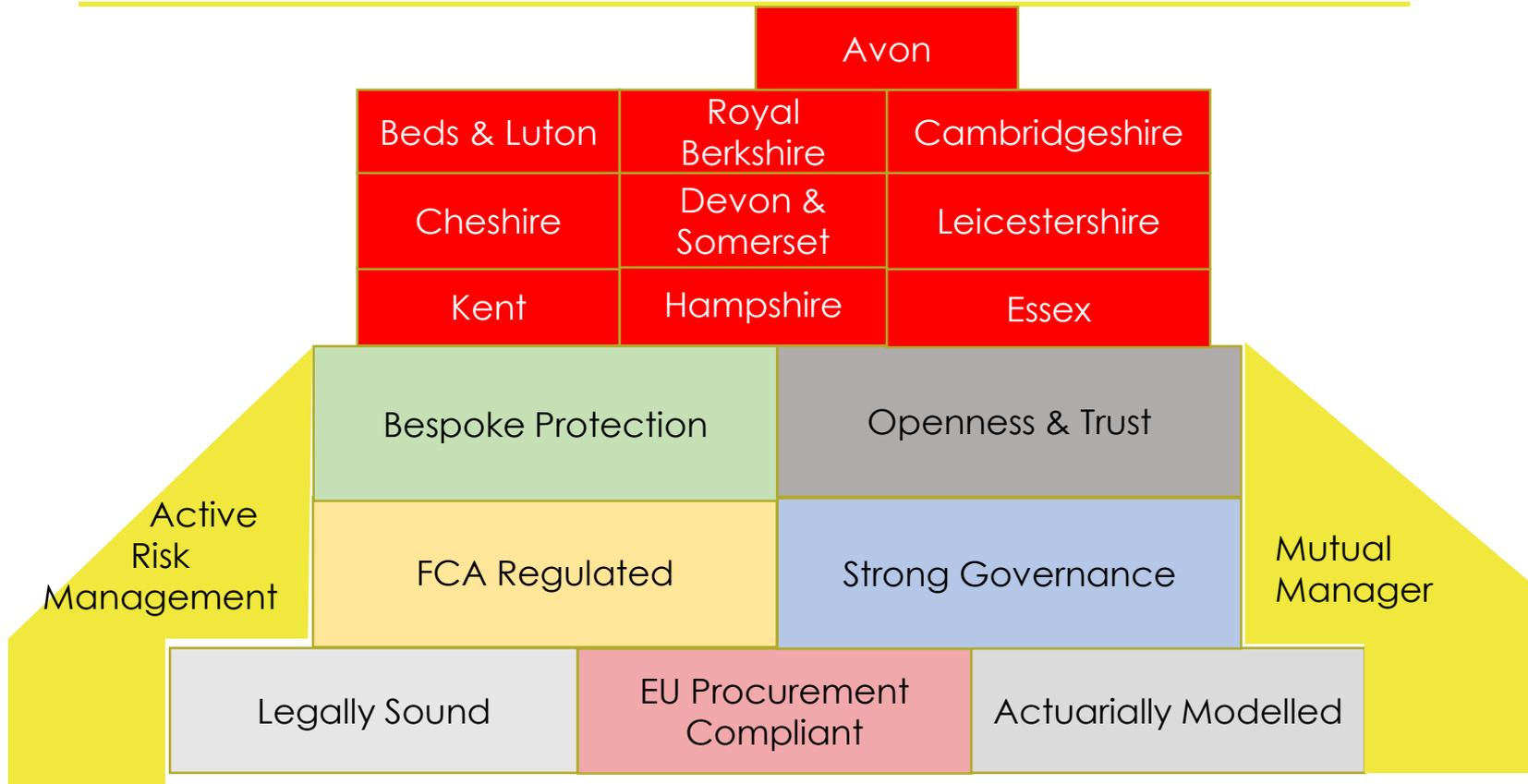
The Ethos behind FRIC

- Trust, Honesty and Openness
- Get the best result for the public purse
- Risk driven not cost driven
- Focus on improving Risk Management through collaboration
- Open access to data, policies (and mistakes)
- Shared learning

How Does it Work?

- Contributions to the “pot” based on individual risk and claims profile
- All members hold non-ranking deductible FRIC funds increased first loss per claim-
 - Motor - £500k
 - Liability - £200k
 - Property - £100k
- FRIC has insurance for high value claims and cross class aggregate excess

A new model that matches the Fire and Rescue Service



Behind the scenes

- Regis Claims Handling Team
 - On-Line claims portal
 - Pro-active claims management
 - Good MI and KPIs
- Aggregate and Excess Insurers
 - Builders Direct SA
 - ERS Syndicate Management Limited

Prevention and Protection



Awards



FRIC



Fire & Rescue Indemnity Company

Protection Arrangements

Protection Arrangements

Property
£50m

Liability
£50m

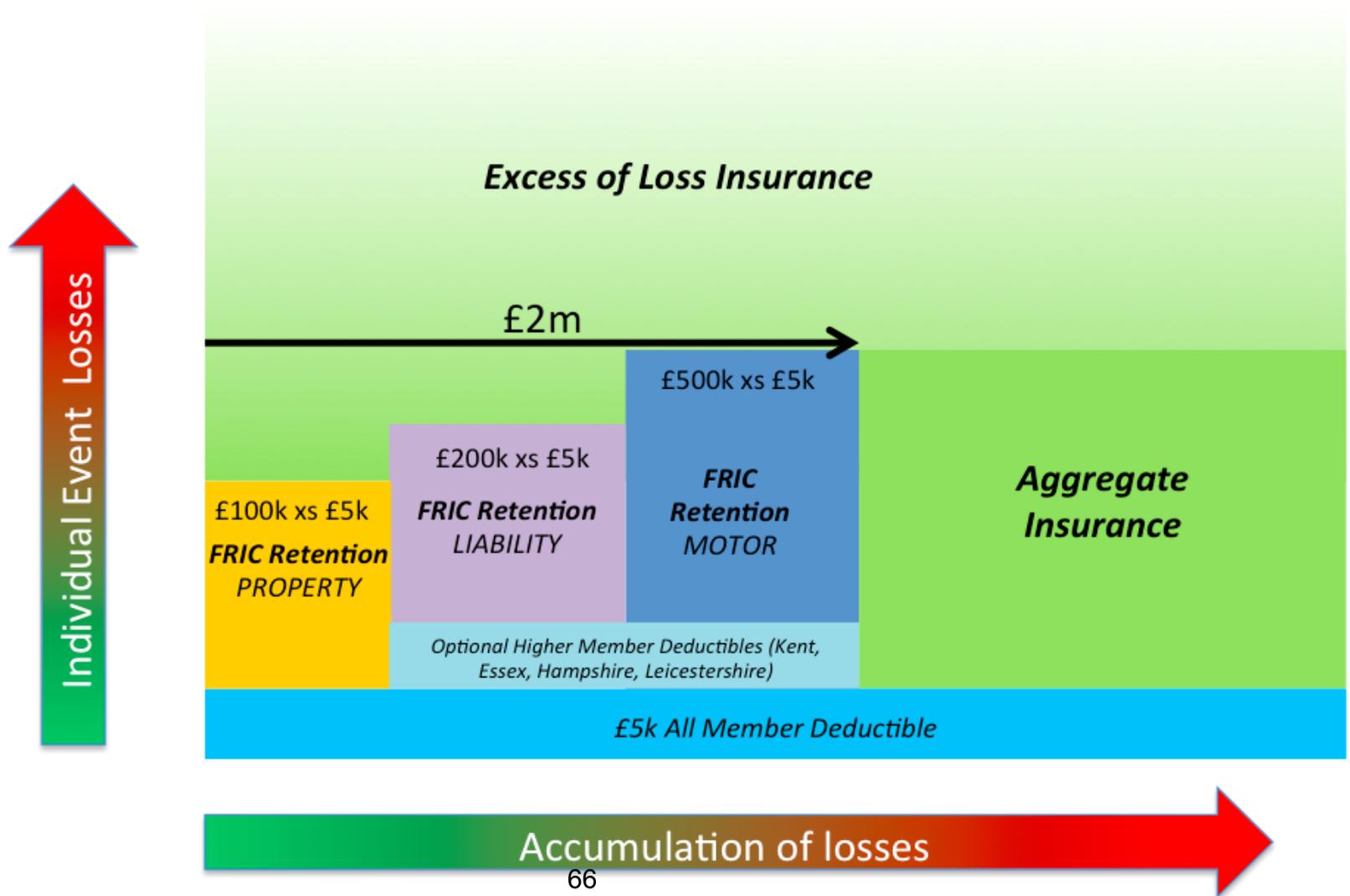
Motor
£unlimited

Protection Insurance

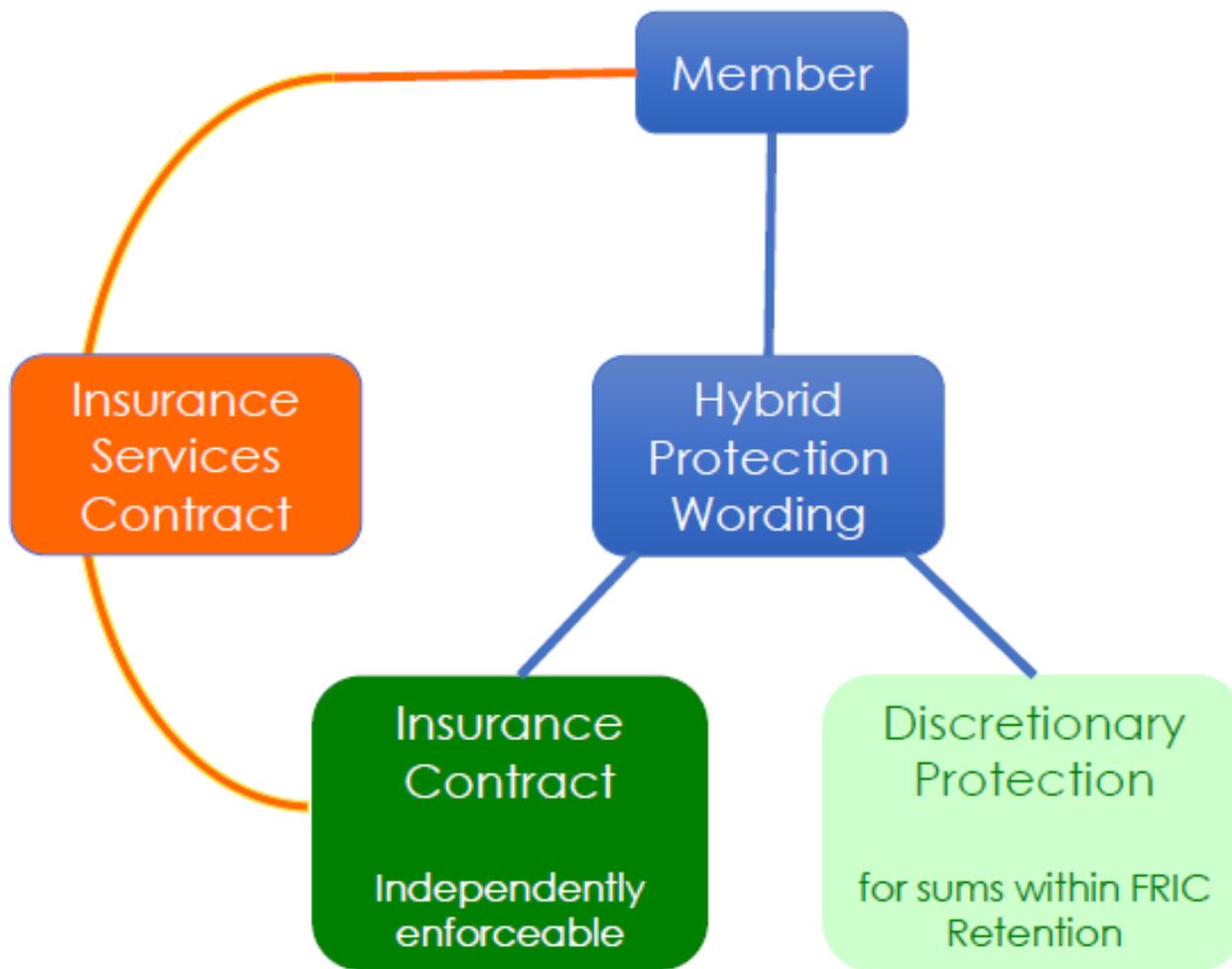
FRIC Retention

Member Retention

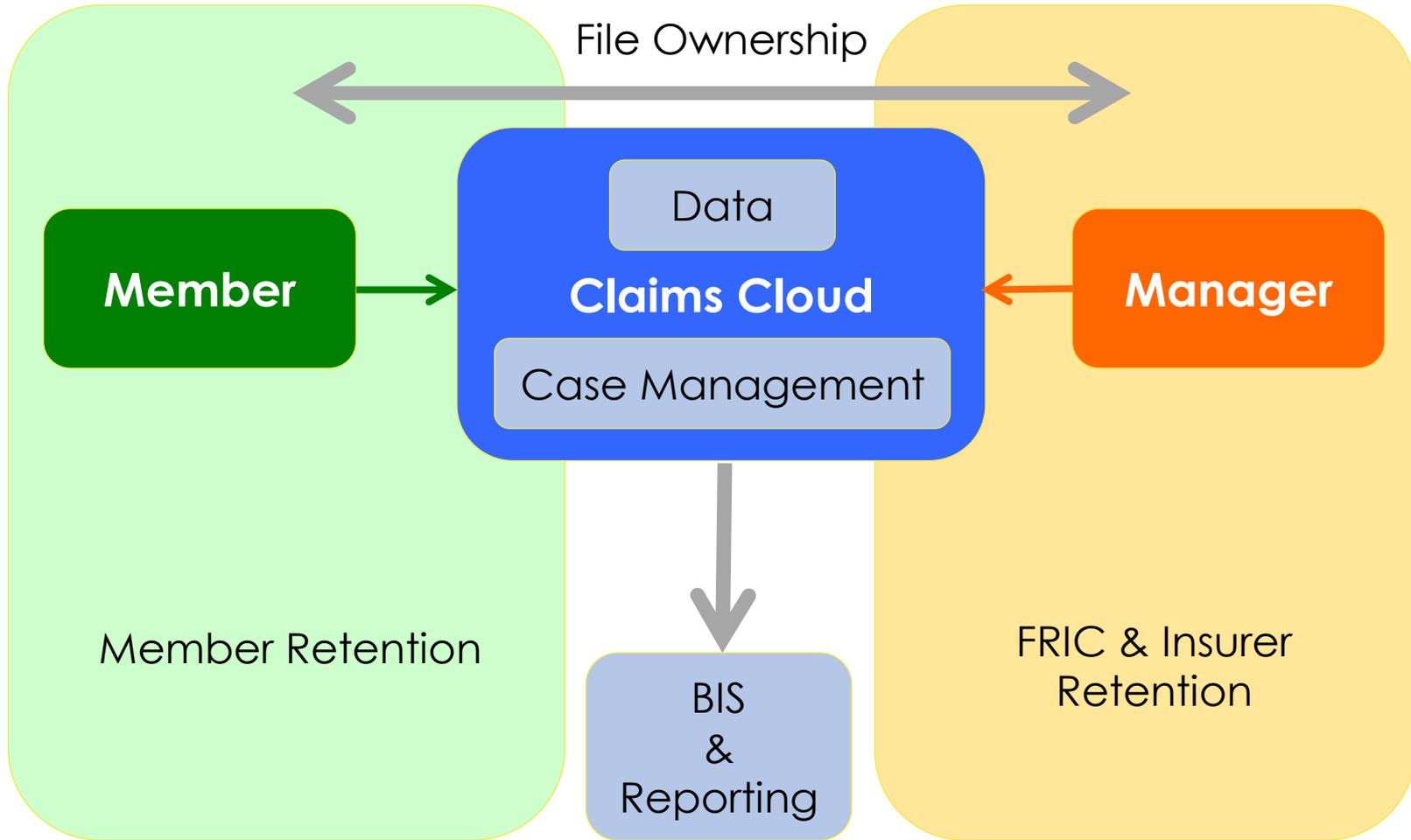
Protection Arrangements



Member Protection Contracts



Innovation & Efficiency



FRIC



Fire & Rescue Indemnity Company

Feasibility Study Modelling

2013 Feasibility Study Based on 10 Years Claims Data

- Savings of £1.5m (7.6%) over a five year period with £19.7m of contributions
- Supplementary Call in one year of £200k (5.5% of the years contribution) – This would be £15k for LFRS based on 2016/17
- Modelling suggests major claims one year in ten
- Annual surplus of £608k in a good year and £354k in an average year
- Proposal to form FRIC agreed by 9 FRS in 2014 with the company trading from 1 November 2015

FRIC



Fire & Rescue Indemnity Company

Claims Experience

Claims Experience

- Year 1 results better than expected, and better than modelled in business plan
- Year 2 also in surplus
- No major losses to date
- No call on aggregate and motor excess policies – 2 high value property claims
- Some unexpected occurrences...

Claims MI

Fire and Rescue Indemnity Company Claims Dashboard as at 30 April 2017

Motor

Claim Frequency (excl Wear & Tear and Windscreen)				
	2016/17 Q2	Qly Change ¹	2016/17 YTD	Q2 -12 months ²
No of claims reported	166	▼ 2%	336	▲ 41%
No of claims incurred	157	▼ 4%	328	▲ 31%
No of open claims	297	▲ 40%	297	▲ 100%
No of FRIC incurred claims	35	▲ 13%	66	▲ 2%
No of declined claims	0	↔	0	↔
No of appeals	0	↔	0	↔

FRIC Claim Cost				
	2016/17 Q2	Qly Change ¹	2016/17 YTD	Q2 -12 months ²
FRIC Incurred Claims ²	£114,738	▼ 7%	£237,595	▲ 29%
FRIC Reported Claims ³	£114,738	▼ 9%	£240,777	▲ 29%
FRIC Paid Claims ⁴	£102,467	▲ 41%	£175,241	▲ 220%
Mvmt on prior period claims ⁵	-£11,199	▲ 131%	-£21,292	↔
Average Cost per claim ⁶	£3,278	▼ 17%	£3,600	▲ 27%

Large Claims (>£100k)		
	2016/17 YTD	Q2 -12 months ²
Number of large claims	0	↔
Total cost of large claims	£0	↔
Average cost of large claims	£0	↔



Fleet Collision Ratio (collisions/vehicles x 100)				
	2016/17 Q2	Qly Change ¹	2016/17 YTD	Q2 -12 months ²
Red fleet on blues and twos	15.5	▲ 19%	14.4	▲ 68%
Red fleet off blues and twos	25.3	▼ 7%	26.5	▲ 22%
Red fleet total	40.8	▲ 1%	40.9	▲ 35%
Light fleet on blues and twos	0.2	↔	0.2	▲ 103%
Light fleet off blues and twos	11.5	▼ 22%	12.7	▲ 23%
Light fleet total	11.8	▼ 21%	13.0	▲ 24%
All fleet total	22.7	▼ 8%	23.2	▲ 31%

¹ Quarterly change compared to previous quarter as valued end of that quarter
² Incurred claims includes claims with date of loss in period
³ Reported claims includes claims reported in period plus any movement in claims reported prior to period
⁴ Paid claims includes payments made during period
⁵ Mvmt on prior period claims only includes movements on claims with date of loss prior to period
⁶ Average of only the claims with FRIC incurred >0. ⁷ Q2-12 months compares the YTD against Q2 2015/16 YTD

Liability

Claim Frequency		
	2016/17 YTD	Q2 -12 months ²
Total number of incidents	18	▼ 22%
No of notification only	9	▲ 50%
No of FRIC incurred claims	0	▼ 100%
No of declined claims	0	↔
No of appeals	0	↔

FRIC Claim Cost		
	2016/17 YTD	Q2 -12 months ²
FRIC Incurred Claims ²	£0	▼ 100%
FRIC Reported Claims ³	£10,830	↔
FRIC Paid Claims ⁴	£16,985	↔
Mvmt on prior period claims ⁵	-£19,015	↔
Average Cost per claim ⁶	£0	▼ 100%

Large Claims (>£100k)		
	2016/17 YTD	Q2 -12 months ²
Number of large claims	0	↔
Total cost of large claims	£0	↔
Average cost of large claims	£0	↔

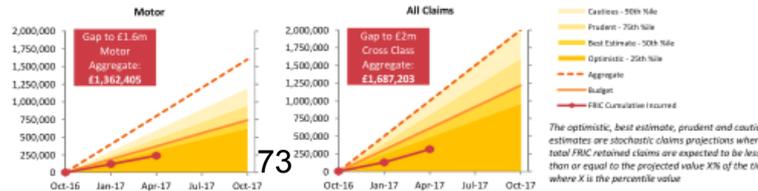
Property

Claim Frequency		
	2016/17 YTD	Q2 -12 months ²
Total number of claims	15	▲ 67%
No of FRIC incurred claims	2	↔
No of declined claims	0	↔
No of appeals	0	↔

FRIC Claim Cost		
	2016/17 YTD	Q2 -12 months ²
FRIC Incurred Claims ²	£75,374	↔
FRIC Reported Claims ³	£75,374	↔
FRIC Paid Claims ⁴	£0	↔
Mvmt on prior period claims ⁵	£26,700	↔
Average Cost per claim ⁶	£37,687	↔

Large Claims (>£100k)		
	2016/17 YTD	Q2 -12 months ²
Number of large claims	0	↔
Total cost of large claims	£0	↔
Average cost of large claims	£0	↔

Claims vs Aggregate and Forecast



FRIC

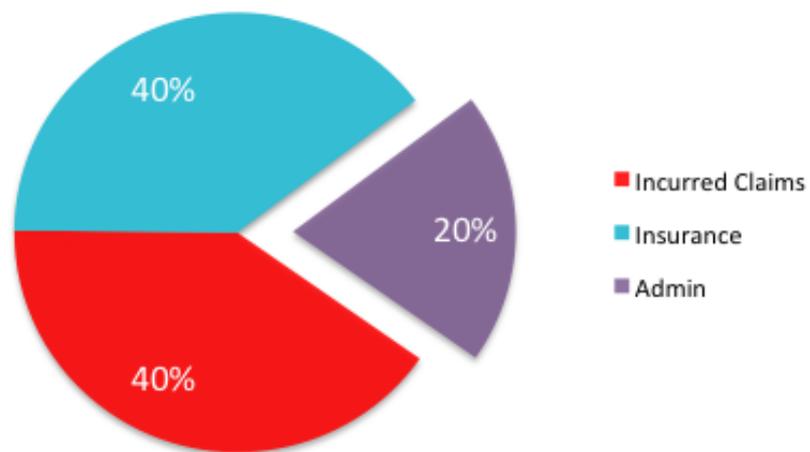


Fire & Rescue Indemnity Company

Financial Results

Year to Oct 2016 & Oct 2017

	2015/16	2016/17
Contributions	£3,774k	£3,803k
Surplus	£471k	£136k
Expense Ratio	17.5%	19.2%
Combined Ratio	87.5%	96.4%



FRIC



Fire & Rescue Indemnity Company

Risk Management in FRIC

Why Risk Management is Key

- Risk Management is central to what we do because:-
- We all share in the financial performance of FRIC
- Lower claims equals higher surpluses and ultimately, lower contributions
- Strong performance and high service levels will attract new member authorities
- It reassures our external insurers
- It reduces costs and workloads for our member authorities
- Business Risks Managed through FRIC Board Committee, Claims risks managed through Fire and Rescue Risk Group

FRIC Business Risk

- Quarterly Risk Committee meetings
- Integrated with Regis RM processes to incorporate cross mutual issues
- Initial risks on commencing business now reducing, operating risks emerging
- Main risks-
 - Financial sustainability
 - Loss of member
 - Loss of Insurer

Financial Sustainability

- Three year initial commitment and one years notice for members
- FRIC has now built up more than £0.5m of reserves to avoid the need for supplementary member contributions
- Business model has allowed a 10% increase in motor premium to be absorbed with an overall increase of 1% in member contributions
- Avon (April 18) and Buckinghamshire (April 19) seeking to join.
- Essex remains a member after transition to a PFCC governance model
- Only Fire and Rescue Authorities committed to improving risk management are able to join – no wider risk exposure.

Fire And Rescue Risk Group

- Open to member and non-member authorities
- Produced and delivering Risk Plan 2016-18
- Four main Focus Areas:
 - Road Risk; Data Quality; Business and Risk Management Processes; Liability Risks
- Key Successes:
 - Standardised Risk Profiles
 - Consistent, accurate claims data
 - Wear & Tear Policy
 - Funded driver risk assessments training
- Coming Soon:
 - Driver newsletter
 - Proposals for a standard blue light driving policy
 - Risk Management “Best Practice” matrix
 - FRIC support for Risk Management

FRIC



Fire & Rescue Indemnity Company

Corporate Governance

Corporate Governance

- Established member appointed Directors;
- Clarity of matter reserved for Board and for all member authorities
- Quarterly Reporting and High Quality Management Information shared with all members
- Active contract management arrangements with Mutual Manager with trust built on both sides

FRIC



Fire & Rescue Indemnity Company

Future Plans

Future Plans

- Contribution Model revised for 2017/18 to reflect KPIs, Claims experience, investment in technology and other factors
- Expand within Target Market – endorsement from NFCC
- Interest from a number of Authorities
- Support transition of Authorities under Police and Crime Commissioners

EAST SUSSEX FIRE AUTHORITY

Date 6 September 2018

Title of Report 2017/18 Annual Performance Outcome Report

By Liz Ridley, Assistant Director – Planning & Improvement

Lead Officer Sharon Milner, Planning & Intelligence Manager

Lead Member Cllr Roy Galley

Background Papers None

Appendices Appendix A – Annual performance outcome report 2017/18
Appendix B – Plain English indicator definitions

Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To present the annual performance results for 2017/18

EXECUTIVE SUMMARY This report provides the Fire Authority with details of East Sussex Fire Rescue Service’s performance for the period April – March 2017/18. Ten top level indicators improved or met the target set in 2017/18 (50%) and ten indicators declined.

RECOMMENDATION The Fire Authority is asked to:

1. Consider performance results and progress towards achieving the Service’s purpose and commitments.
2. Consider the performance results and remedial actions that have been taken to address areas of underperformance in the Fire Authority’s priority areas.

1. INTRODUCTION

- 1.1 This report summarises the 2017/18 performance outcomes for East Sussex Fire and Rescue Service. The report aims to provide a single view of information which allows Elected Members, Auditors and members of the public to hold the Service's senior managers and staff to account in terms of the provision and performance of their Fire & Rescue Service for 2017/18. The report has been further developed through consultations with Cllr Galley, the Authority's lead member for performance.
- 1.2 The report provides a comparison against last year's performance, whether or not the target was achieved, where one has been set, and the direction of travel from the previous year for example, improved, stayed the same or declined.
- 1.3 East Sussex Fire & Rescue Service results are compared against the results for Fire and Rescue Services in the rest of England on a scale of best to worst performance based on the 2016/17 national data sets which are the latest available.
- 1.4 The report highlights a slight decline on last year's performance as 50% of indicators improved or met the target as opposed to 53% the previous year.

2. Main issues

- 2.1 The Scrutiny and Audit Panel increased the number of priority areas in 2017/18 from five areas to seven to include the current Borough priorities. This report provides detailed commentary against those areas. Additional commentary is provided for other areas of interest.

The Fire Authority priorities areas are:

1. Reducing accidental dwelling fires
2. Confining the fire to the room of origin
3. Reducing attendance at false alarm calls
4. Increasing the number of home safety visits to vulnerable members of our community
5. Reducing sickness
6. Numbers of home safety visits
7. Increasing inspections in high risk premises

2.2 Reducing accidental dwelling fires

- 2.2.1 Accidental dwelling fires have been a priority area for the service for a number of years. Accidental dwelling fires have reduced by 38% from 2000/01 overall, but have plateaued in recent years. In 2016/17 we saw a reduction of 2.4% from the previous year. In 2017/18 the year end result of 499, which equates to a 7% decrease on the previous year when 538 accidental dwelling fires were attended. This is the lowest number of accidental dwelling fires recorded over the last 18 years from 1999/2000. The previous lowest number being 506 in 2010/11. The intervening years since then saw 538, 558, 526, 544, 552 and

538 respectively. 60% of the accidental dwelling fires occurred in the kitchen, with cooking appliances responsible for 243 (81%) of these.

- 2.2.2 A concentrated effort to increase the number of home safety visits during the year with 11,012 visits undertaken against a target of 10,000. An accidental dwelling fire working group made up of staff from stations, community fire safety, communications and planning and intelligence was established and a number of high profile campaigns and events ran throughout the year. An on-going integrated marketing campaign was launched by the Communications Team, entitled Be Your Own Hero. The key aim of the campaign was to drive down the number of accidental dwelling fire incidents across our Service area. The team produced a hard-hitting interview with a Crowborough businesswomen, who spoke about her distressing experience of a devastating fire in her home, to launch the campaign. As a result of this, BBC South East covered the story, alongside other mainstream local media, reaching a wide audience. Please click on this link to see the interview with Louisa Sheridan <https://www.esfrs.org/your-safety/be-your-own-hero/>
- 2.2.3 The Be Your Own Hero marketing campaign will continue with the production of a series of five short video clips that cover different types of incidents, which our Service responds to, illustrating everyday scenarios, as well as possible consequences of people's actions. Each video is interconnected and can be watched as a whole, or as five individual shorts. Alongside this launch will be a second 'real-life' interview with a mother-of-two who shares, on camera, an emotional interview about her traumatic experience of a loft fire, at her Lewes home, which left them homeless for months. The idea behind this moving interview is to create behaviour change among our residents, as well as a prompt for call to action.
- 2.2.4 Uckfield and Crowborough fire stations together supported by HQ staff devised a campaign to help raise awareness of smoke alarms and home safety visits to further help the service reduce its attendances at accidental dwelling fires. Using a mailing list provided by Planning and Intelligence Analyst – Community Risk, Chris Fry, the team sent out letters to local residents. The aim was to:
- To encourage people who had HSVs to test their smoke alarms
 - To encourage people who haven't had HSVs to fit and test smoke alarms
 - To encourage people to ask for HSVs
 - To signpost people to further information about fire safety
- 2.2.5 Recipients are asked to send back a postcard, confirming their actions or requesting an HSV. This project is a smaller version of one rolled out in Hastings in 2016, and which proved successful in providing not only referrals for HSV but reassurance that those we have visited, still have working alarms.
- 2.2.6 A total of 600 addresses in Uckfield and Crowborough were targeted and 106 replies were received. This is a response rate of 17.5% - for comparison the industry average for direct mail is around 4%.
- 101 households confirmed they had tested their smoke alarms.

- 37 confirmed they had fitted new smoke alarms and/or replaced batteries
- 65 promised to test their alarms at least once a week

2.3 Responding quickly to a fire to stop it spreading from the room it started in

2.3.1 There was a slight increase in performance in comparison to last year, with 91.6% of fires confined to the room of origin in 2016/17 compared to 92.2% in 2017/18 we consistently perform well in this area. In real numbers this means that out of 499 fires attended we contained 460 to the room of origin.

2.4 Reducing false alarm calls, especially in properties with a previous history of this

2.4.1 48.5% (4,601) of our total incidents in 2017/18 were to false alarm calls, of these 33.8% (3,204) were from automatic fire detector systems. An unwanted fire alarm signal is where an automatic fire alarm (AFA) system activates and initiates a response from the fire service and on attendance it is found to be a false alarm. A call challenge policy is in place with responsible premise owners being asked to confirm the need for an attendance. We are undertaking more targeted work to ensure that we continually review and improve efficiencies across the Service. A demand management strategy is in development as part of the Authority's integrated risk management plan and will be looking at our attendance at non-life-threatening incidents. By reducing the demand on our Service for calls that are not deemed appropriate to attend, we will free up our resources to undertake meaningful community safety work that will make people safer in our communities.

2.5 Increasing the number of home safety visits that we complete with the more vulnerable members of our community

2.5.1 We delivered 91.8% of our home safety visits to vulnerable people within our community 2017/18 which is an improvement on last year (90.7%). This means that out of 11,012 visits 10,102 were to vulnerable people in the community which compares to 8,438 in the previous year.

2.6 Reducing the number of absences of our employees due to sickness.

2.6.1 Sickness absence is another priority area for the service and performance has declined from the previous year, with 10.8 shifts lost against 10.5 in 2016/17. Of the 10.8 shifts lost per employee at the end of 2017/18, 6.4 of these are due to long term sickness, 1.9 due to medium term sickness and 2.5 due to short term sickness. By the end of 2017/18 Wholetime had lost 9.9 shifts per employee, Control 16.2 shifts per employee and support staff 11.4.

2.6.2 A number of work areas have been progressed throughout the year to support the organisation in managing attendance. An internal audit on the management of sickness absence took place and the Service was given reasonable assurance. The HR team will be implementing the recommendations in order to drive through improvements in this area. There

was also a change made to the way payment for specialist treatment is authorised in HR to speed up approvals. A case conference approach to manage long term sickness absences is being adopted and there is closer working with the Fitness Advisor on case management. A blended approach to occupational health and well-being services will provide greater resilience across the occupational health environment and support the HR Strategic Review of Attendance Management which is one of the department's priorities for 2018/19. Managers have also been reminded that this is a key priority indicator and the key principles from the Attendance Management Policy have been communicated.

2.7 Number of Home Safety Visits

2.7.1 Home safety visits were set as a priority across the Service with all watches and community safety advisors working to stretch targets to ensure that at least 10,000 home safety visits would be completed in 2017/18. At the end of 2017/18 11,012 home safety visits had been completed.

2.7.2 An electronic diary booking system was rolled out across the service. This involves HSVs being booked centrally by the CFS administration team. The number of home safety visits came under close scrutiny at the monthly performance meetings to ensure Boroughs were carrying out HSVs at all appropriate incidents attended, or where required, deferred to specialists or for a later visit. A core brief item was circulated to all stations ensuring operational personnel were considering HSVs, safe guarding and coming to notice information and consulting with the relevant specialists when issues are identified. A support and delivery framework action learning set is in place that will bring consistency and a performance management process to borough work including HSV generations and delivery.

2.8 Inspections of high risk premises completed

2.8.1 This was a new priority area for 2017/18 and critically important following the Grenfell Tower fire on 14 June 2017. At the end of 2017/18 499 audits had been completed, this is an increase of 59% on the previous year when 314 were undertaken. It was a very busy period after Grenfell whereby hundreds of residents were visited by members of our business safety team.

2.8.2 The Service is reviewing the current national Risk Based Inspection program and introducing Business Safety checks/audits by operational personnel. There are a number of areas that will help improve performance in this area including:

- The upgrade of the Customer Relationship Management database to help staff record audits quickly and effectively and it will be developed to deliver a qualitative risk based inspection program. The project will deliver a mobile digital platform to support efficiencies in the audit process.
- Competency-based Business Safety training will be given to operational staff
- We will continue to identify and inspect premises at higher risk of fire

- We will provide all premises where the Fire Safety Order applies with a qualitative relative risk rating
- There are plans to use the inspection program to collect enhanced firefighter risk information
- A target of 1,500 checks/audits per year has been set which is dependent on the delivery of IT support/networks
- A quality assurance framework/process for Business Safety will be introduced and along with a communications plan to support the Risk Based Inspection program and increase awareness of Business Safety internally and externally.

2.9 Other commentary

2.9.1 Number of RIDDOR incidents

2.9.2 The majority of the RIDDOR notifications to HSE are for incapacitation over 7 days. There has been an increase of 40% when compared to the previous year, which was at the time considered low. Seven RIDDORs were due to absences of over 7 days following an injury; four were due to BA failures (indicative of the ageing BA sets), and 4 were fractures.

2.9.3 Compliments and complaints

2.9.4 The annual outcome report contains a summary of the complaints received against the service. Effective complaint management is an important element of maintaining the Services reputation. Complaints are also a valuable tool in helping to understand resident's expectations of service delivery and should be an essential part in identifying improvements across the organisation.

2.9.5 Complaints received are formally recorded by the Service Complaints Officer (SCO) and, as far as possible, dealt with immediately. Where this is not possible, complaints are:

- acknowledged within three working days
- responded to within one month of the complaint being received by ESFRS
- kept under review and the complainant kept informed of progress or any reasons which are causing a delay
- monitored by the SCO to identify problem areas.

2.9.6 There were 26 complaints received in 2017/18, six more than the previous year. Of the complaints, four were considered justified, three partially justified and six unjustified. In three cases no further information was received and these were closed, eight were logged for recording purposes. For example, one complaint was about a threat made by an employee, however the HR database confirmed that it was not an ESFRS employee, and two concerned Fire Safety in light of Grenfell Towers and were logged for record purposes.

2.9.7 Upon analysis, poor driving standards of which one was justified and one partially, two more were unsubstantiated and employee conduct were the

highest causes for complaints in 2017/18. In order to raise awareness and address issues of poor driving standards any future complaints will be considered by the Operational Assurance Group chaired by the Assistant Director of Operational Support and Resilience.

- 2.9.8 During the year we received 127 “thank you” letters from various members of the public as opposed to 177 received last year. Compliments are circulated to staff through the service brief on a weekly basis and cover all aspects of our service provision including home safety visits, incidents attended, school visits, education events etc.

	2015/16	2016/17	2017/18
Complaints received	19	20	26
Compliments received	157	177	127

- 2.8 The performance outcome summary is set out in Appendix A.

- 2.9 A list of useful definitions is attached for Members at Appendix B.



East Sussex
Fire & Rescue Service

Annual Performance Outcome Report for 2017/18

SEPTEMBER 2018

Contents

Section	Page No.
1 Introduction	2
2 Operating Environment	3
3 Summary of Achievement	4
4 Performance Results 2017/18	5
Our Purpose: We make our communities safer	6
Commitment 1: Delivering high performing services	6-7
Commitment 2: Educating our communities	8
Commitment 3: Developing a multi-skilled, safe and valued workforce	9
Commitment 4: Making effective use of our resources	10
5 Detailed Performance Analysis	11
5.1 Primary Fires	11-13
5.2 Accidental Dwelling Fires	14-16
5.3 Deliberate Fires	17-19
5.4 Primary Fire Fatalities and Injuries	21
5.5 Sickness	22
5.6 Health and Safety	22-23
5.7 Level 3 & 4 Incidents attended in 2017/18	23-24
6 Compliments and Complaints	25-27

1. Introduction

This report provides details of East Sussex Fire & Rescue Service's performance for the period April – March 2017/18.

It provides a transparent, single view of information which allows Elected Members, Auditors and members of the public to hold the Service's senior managers and staff to account in terms of the provision and performance of their Fire & Rescue Service for 2017/18.

The Fire Authority's purpose is to 'make our communities safer'. We have developed four overarching commitments to the public as follows;

Our Purpose is: *We make our communities safer*

Our Commitments are: *Delivering high performing services*
Educating our communities
Developing a multi-skilled, safe and valued workforce
Making effective use of our resources

Our Core Values are: *Proud*
Accountability
Integrity
Respect

2. Operating Environment

East Sussex Fire & Rescue Service provides prevention, protection and response services to 840,400 people living in 366,948 households within the area of East Sussex and the City of Brighton & Hove. We work within a large and diverse area on the south coast of England, covering rural locations as well as a busy city centre and urban seaside towns.

The County of East Sussex experiences high levels of deprivation when compared to other counties in the South of England. Our larger towns and the City of Brighton & Hove are very popular tourist destinations and the summer population is enhanced significantly, with over 8 million visitors, along with the risk of fire and road traffic collisions. The main headlines for the Service's area are:

Coastal and other influences

- At least 70% of the population lives along 47 miles of coast
- Our area provides almost every aspect of community risk including multiple harbours, with the inherent risk of ship fires and oil terminals leading into the city of Brighton & Hove
- The influence of the landscape and significant coastal and inland flooding causes risks
- East Sussex County Council has an older age profile compared to England and the South East. A quarter of the county's population is aged 65 or over, compared to 18% in England and 19% regionally.
- East Sussex has a high proportion (11%) of the population with a disability.
- East Sussex has no motorways and all the main 'A' roads suffer from congestion and traffic problems. However East Sussex saw a 6% decrease in recorded road casualties from April 2017 to March 2018: 1,858 down to 1,744 and Brighton and Hove saw a 19% decrease over the same period: 965 down to 782.
- 11.2 million Tourists visit Brighton & Hove in 2016, whilst 5.1 million visited Eastbourne.

* Data provided by ONS and CIFPA for mid-year populations 2017 and Dwellings 2017, East Sussex Local Transport Plan 3 2011-2026, ESiF and VisitBrighton statistics 2017; SSRPs Data Portal /Crashes monthly data

3. Summary of achievement.

The table below provides a key summary of our achievement against targets, or where no target is set, our achievement against the previous year's result in our priority areas, and non-priority areas for 2017/18.

Our priority areas for 2017/18 were:

- Reducing accidental dwelling fires
- Responding quickly to a fire to stop it spreading from the room it started in
- Reducing false alarm calls, especially in properties with a previous history of this
- Increasing the number of home safety visits that we complete with the more vulnerable members of our community
- Reducing the number of absences of our employees due to sickness.
- Increasing inspections in high risk premises
- Numbers of home safety visits

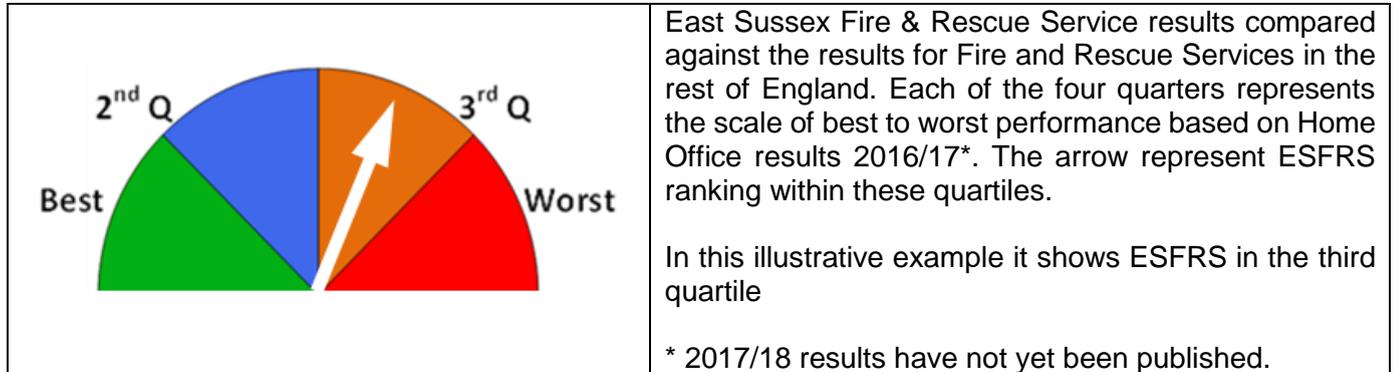
Indicator group	<input checked="" type="checkbox"/> Indicators where the target has been met or performance exceeded the previous year	<input checked="" type="checkbox"/> Indicators where target has not been met or performance declined against the previous year
Priority Areas	5 (71%)	2 (29%)
Non-priority areas	5 (38.5%)	8 (61.5%)
All Indicators	10 (50%)	10 (50%)

As can be seen from the above table, we have met our target or performance has improved in 50% of indicators for 2017/18.

- Achieved
- Not achieved

4. Performance Results 2017/18

The following section contains the results against our strategic objectives. The tables give a comparison against last year's performance, whether or not the target was achieved and the direction of travel from the previous year.

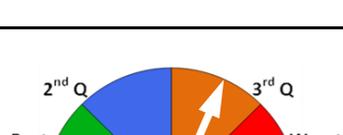
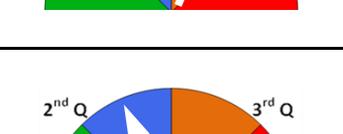


Our Purpose

We make our communities safer

We will do this by:

Commitment 1: Delivering high performing services

Indicator No.	How will we measure performance?	2016/17 Q4 result	2016/17 Yea end result	National Quartile Position 2016/17	2017/18 Quarter 4	2017/18 Year end result	Direction of travel from 2016/17 result
6	Total number of incidents attended	2,074	9,191		2,096	9,447	Declined
7	Number of deaths in primary fires	1	5		1	2	Improved
8	Number of injuries in primary fires	10	35		12	38	Declined
1 Priority	No of accidental dwelling fires	143	538		131	499	Improved
9	Number of primary fires	271	1,184		261	1,132	Improved
10	Number of deliberate fires	117	686		88	749	Declined
11	No of Industrial and Commercial fires	32	169		38	160	Improved

12. First arriving appliance	2016/17 England Average	2016/17 FG2 Average	Q4 2016/17	Q4 2017/18	2017/18 Year end result
Primary fires	8.7	9.8	8.4 (190)	8.1 (210)	8.4 (848)
Dwellings	8.8	7.7	7.7 (89)	7.9 (95)	7.6 (340)
with any casualty or rescue	N/a	N/a	7.3 (5)	8.2 (9)	7.1 (28)
without any casualty or rescue	N/a	N/a	7.8 (84)	7.9 (86)	7.8 (312)
Other Buildings	8.5	9.5	7.7 (32)	7.3 (89)	7.9 (182)
Other Residential	N/a	N/a	6.6 (8)	7.2 (8)	8.0 (23)
Non-Residential	N/a	N/a	8.1 (24)	7.3 (41)	7.9 (159)
Road Vehicles	9.6	10.5	9.2 (58)	8.9 (62)	9.2 (247)
Other (Outdoor)	10.6	11.5	9.2 (91)	8.5 (62)	9.5 (540)
RTC Persons trapped / enhanced	N/a	N/a	11.4 (34)	9.5 (23)	9.8 (99)

13. Second arriving appliance	2016/17 England Average	2016/17 FG2 Average	Q4 2016/17	Q4 2017/18	2017/18 Year end result
Primary fires	N/a	N/a	11.4 (113)	11.9 (115)	12.0 (478)
Dwellings	N/a	N/a	10.5 (77)	10.6 (64)	10.4 (265)
with any casualty or rescue	N/a	N/a	9.0 (5)	9.6 (8)	10.7 (27)
without any casualty or rescue	N/a	N/a	10.6 (72)	10.7 (56)	10.4 (238)
Other Buildings	N/a	N/a	11.4 (25)	12.2 (41)	12.8 (139)
Other Residential	N/a	N/a	9.7 (8)	8.5 (6)	11.6 (18)
Non-Residential	N/a	N/a	12.2 (17)	12.8 (35)	13.0 (121)
Road Vehicles	N/a	N/a	19.4 (9)	20.9 (8)	15.5 (54)
Other (Outdoor)	N/a	N/a	17.3 (7)	12.9 (10)	13.4 (68)
RTC Persons trapped / enhanced	N/a	N/a	15.5 (31)	15.6 (23)	15.0 (93)

We make our communities safer

We will do this by:

Commitment 2: Educating our communities

Indicator No.	How will we measure performance?	2016/17 Q4 result	016/17 Yea end result	National Quartile Position 2016/17	2017/18 Quarter 4	2017/18 Year end result	Direction of travel from 2016/17 result
2 Priority	% of Home Safety Visits to vulnerable people	91.6%	90.7%	This is an ESFRS indicator only, no National data is available for comparison	91.8%	91.8%	Improved
6 Priority	Undertake 10,000 Home Safety Visits	2,526	9,302		2,811	11,012	Improved
15	Number of safe and well visits conducted	109	557	This is an ESFRS indicator only, no National data is available for comparison	154	534	Declined
7 Priority	Inspections of high risk premises completed	58	314		176	499	Improved
17a	Number of business safety engagement events	3	29	This is an ESFRS indicator only, no National data is available for comparison	2	24	Declined
17b	Number of attendees at business safety engagement events	63	584	This is an ESFRS indicator only, no National data is available for comparison	500	1,726	Improved

We make our communities safer

We will do this by:

Commitment 3: Developing a multi-skilled, safe and valued workforce

Indicator No.	How will we measure performance?	2016/17 Q4 result	2016/17 Year end	National Quartile Position 2016/17	2017/18 Quarter 4	2017/18 Year end result	Direction of travel from 2016/17 result
3 Priority	The number of working days/shifts lost due to sickness not to exceed 7.5 per employee	2.9	10.5	This is an ESFRS indicator only, no National data is available for comparison	2.5	10.8	Declined
18	Number of RIDDOR incidents	2	9		4	15	Declined
19	Number of workplace reported accidents / injuries	63	234		71	221	Improved

We make our communities safer

We will do this by:

Commitment 4: Making effective use of our resources

Indicator No.	How will we measure performance?	2016/17 Q4 result	2016/17 Year end	National Quartile Position 2016/17	2017/18 Quarter 4	2017/18 Year end result	Direction of travel from 2016/17 result
4 Priority	A 32% reduction of automatic fire alarms (AFA) from the base year result of 2009/10	-28.5%	-35.4%	This is an ESFRS indicator only, no National data is available for comparison	-29.2%	-33.7%	Declined
20	% of AFA mobilised calls to properties covered by the RRO that were classified as a primary fire	0.7%	1.7%	This is an ESFRS indicator only, no National data is available for comparison	1.5%	1.8%	Declined
21	% of AFA calls challenged by SCC	7.1%	9.0%	This is an ESFRS indicator only, no National data is available for comparison	8.1%	7.1%	Declined
5 Priority	% of accidental dwelling fires confined to room of origin	88.1%	91.6%	This is an ESFRS indicator only, no National data is available for comparison	90.3%	92.2%	Improved

5. Detailed Performance Analysis

After analysing the overall performance information we have identified a number of key indicators which we have undertaken additional and more detailed analysis upon.

These key indicators include:

- Primary Fires
- Accidental Dwelling Fires
- Deliberate Fires
- Primary Fire Fatalities
- Primary Fire Injuries
- Sickness Indicators
- Health and safety.

This analysis has looked at the following:

- Performance against previous year
- Main Types and causes of incidents
- Geographic analysis of the location of incidents.

The results of this detailed analysis are reported in the following section.

5.1 Primary Fires

Current Performance (April-March 2017/18): 1,132 Fires

Reduced ✓ by 4.4% (52) since 2016/17 from 1,184 to 1,132 fires

Reduced ✓ by 28.4% (449) since the 2009/10 baseline of 1,581.

Main Types of Primary Fires

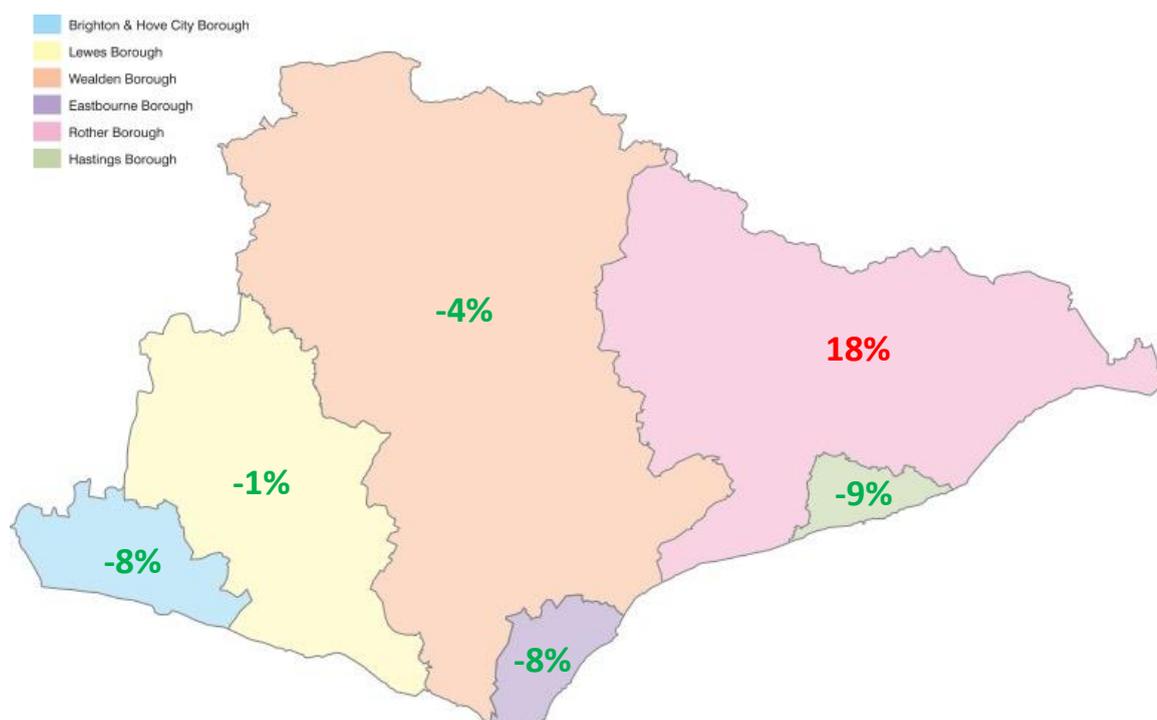
<p>49% (557) Dwelling Fires</p> 	<p>22% (250) Vehicle Fires</p> 	<p>21% (238) Industrial/ Commercial Fires</p> 	<p>8% (87) Other outdoor fires</p> 
--	---	--	---

Main Cause of Fires

21.8% (247) were Deliberate

78.2% (885) were Accidental or not known (main causes: Cooking with 161 incidents; Fault in equipment or appliance, 140; Combustible articles too close to the heat source or fire, 112; and Careless handling, 101)

Primary Fires % change from 2016/17 to 2017/18 by Borough



Borough	2016/17	2017/18	% Difference
B&H	426	391	-8%
Eastbourne	137	126	-8%
Hastings	181	164	-9%
Lewes	139	137	-1%
Rother	112	132	18%
Wealden	187	180	-4%

Additional information for increases in Primary fires from 2016/17 to 2017/18

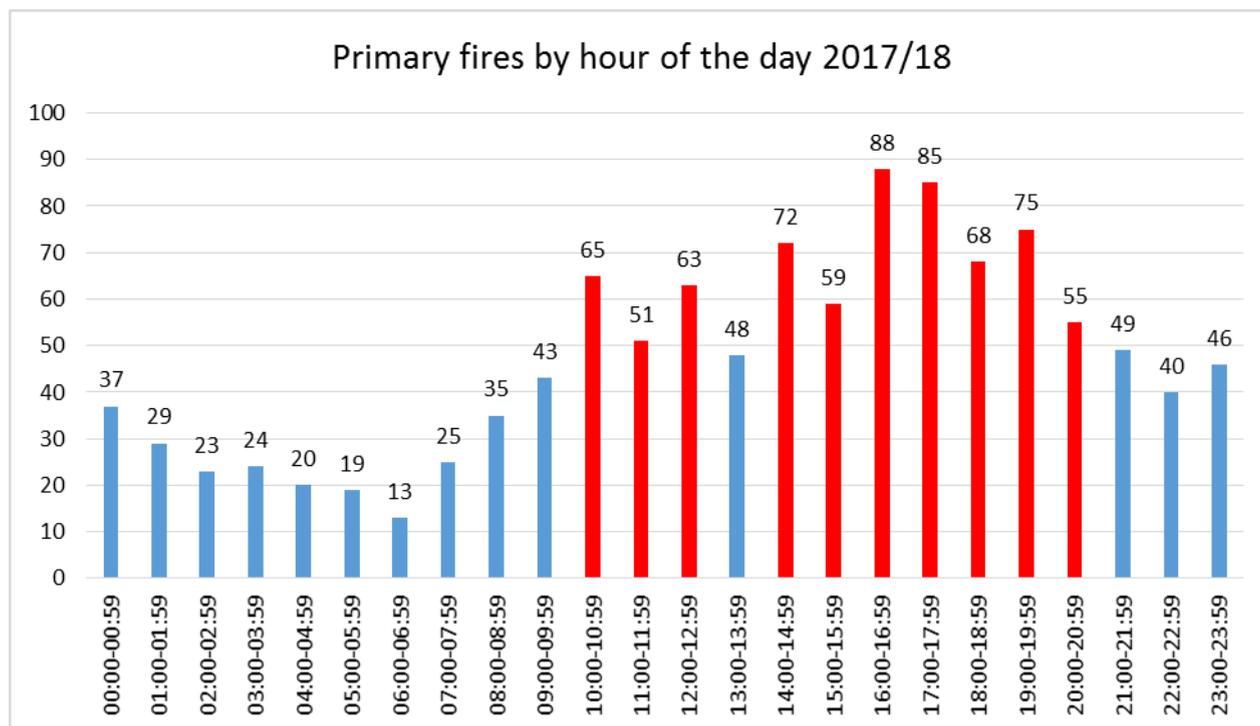
Rother had the biggest increase in primary fires with 18% (20). Within the Borough Battle had an increase of 35% (27 from 20) and Rye had a 45% increase in primary fires (29 from 20). Ten of the primary fires in Battle involved Road Vehicles, there were only four of these in 2016/17. The increase in primary fires in Rye was more evenly spread across all categories. All information relating to trends is shared at the monthly Community Safety performance meetings for note and action in the Boroughs.

Main firefighting action by ESFRS fire crews at primary fires

Main firefighting action at Primary fires 2017/18	Total
Hosereel	424
None - No firefighting	348
Small means	171
Portable extinguishers	59
Main branch/Jet (J)	34
Foam	40
Not stated	36
None - Burned out (Allowed to burn under control)	12
Other methods	8
Total	1,132

31% of the primary fires attended in 2017/18 did not require any form of firefighting action by attending crews and a further 21% were dealt with by small means, a portable extinguisher or were allowed to burnout under the supervision of the crew. (Small means includes methods such as using a bucket of water, disconnecting a fuel supply or removing an item from a heat source for example.)

Time of Fires



Between 14:00 and 19:59 there were 447 Primary Fires (39.5% of the total).

5.2 Accidental Dwelling Fires

Current Performance (April- March 2017/18): 499

Reduced ✓ by 7.2% (39) since 2016/17 from 538 to 499 fires

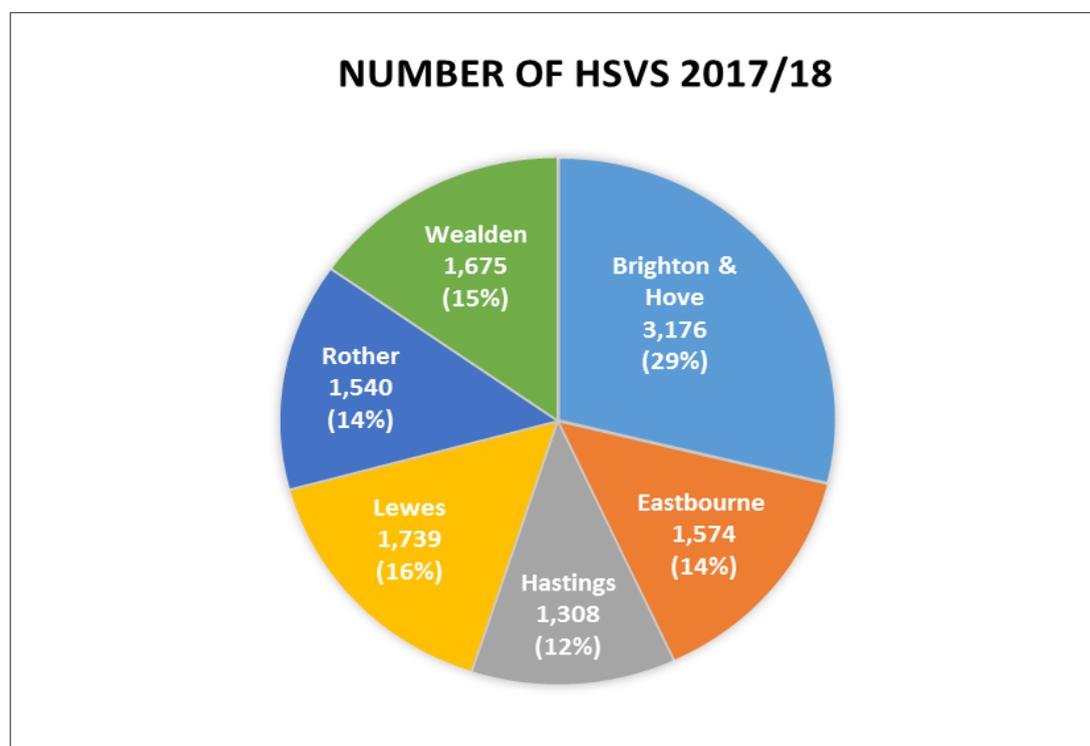
Reduced ✓ by 11.2% (63) since the 2009/10 baseline of 562

Main Sources of Accidental Dwelling Fire



299 (60%) Accidental dwelling fires occurred in the kitchen, with cooking appliances responsible for 243 (81%) of these.

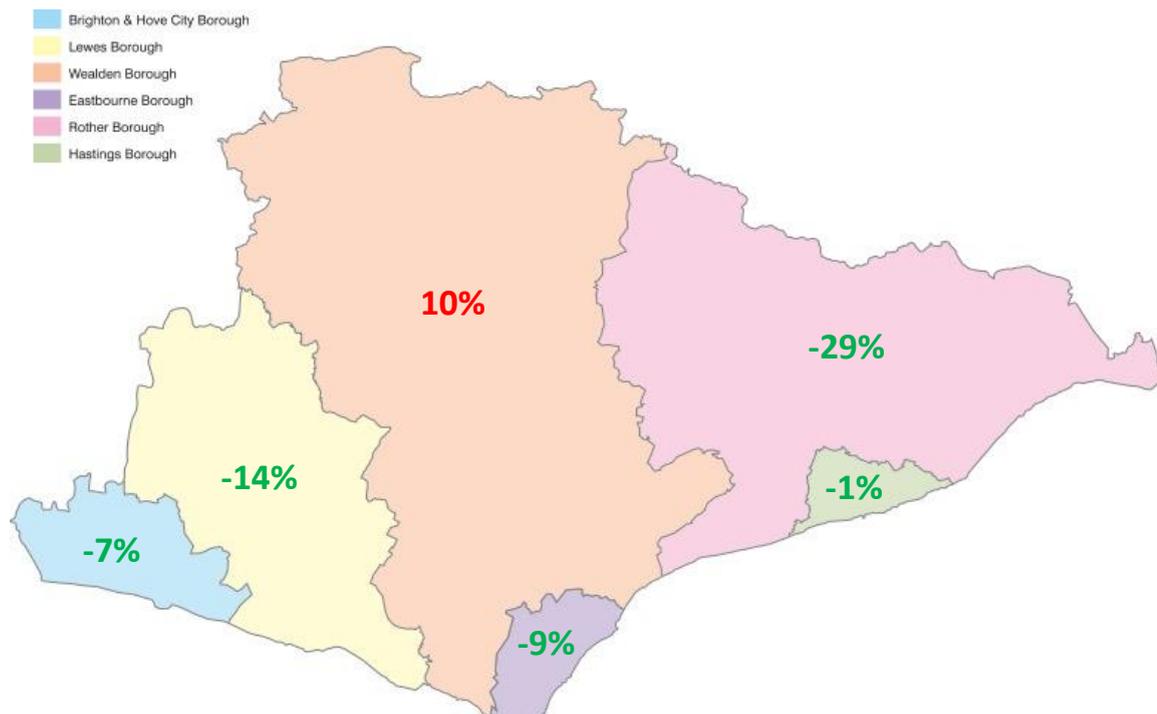
Home Fire Safety Visits



Borough	Population 2017 MYE	No of HSVs 2017/18	HSV's per 10,000 population
Brighton & Hove	288,155	3,176	110
Eastbourne	103,251	1,574	152
Hastings	92,813	1,308	141
Lewes	102,257	1,739	170
Rother	94,997	1,540	162
Wealden	158,941	1,675	105

East Sussex Fire and Rescue Service undertook 11,012 Home Fire Safety Visits between 1 April and 31 March 2017/18.

Accidental Dwelling Fires % Change from 2016/17 to 2017/18 by Borough



Borough	2016/17	2017/18	% Difference
B&H	198	184	-7%
Eastbourne	70	64	-9%
Hastings	86	85	-1%
Lewes	56	48	-14%
Rother	58	41	-29%
Wealden	70	77	10%

Additional information for accidental dwelling fires from 2016/17 to 2017/18

Wealden had the biggest increase in accidental dwelling fires with a 10% (7).

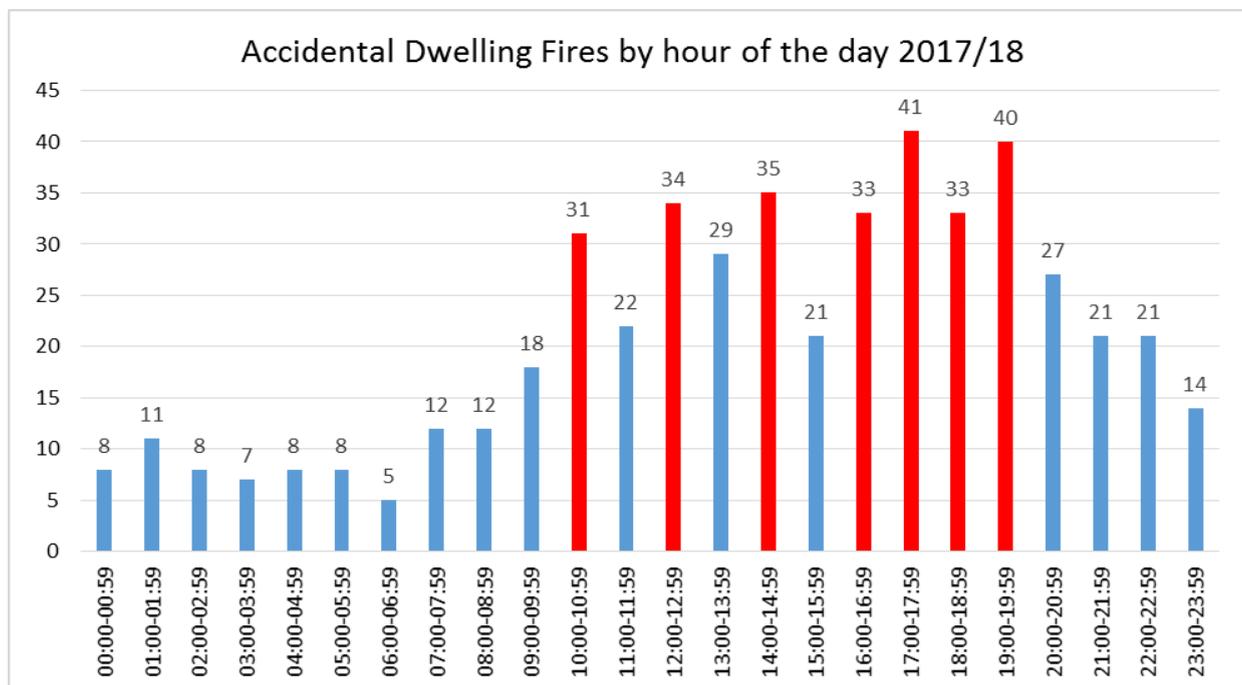
48% of all Accidental Dwelling Fires were either in a single occupancy house or bungalow (241). This is a decrease of 13% compared to 2016/17 (278). However, there was an increase in Accidental Dwelling Fires in the following categories: Converted Flat/Maisonette with multiple occupancy, 73 to 80 (10%); Purpose Built Flat/Maisonette with multiple occupancy (4 to 9 storeys), 39 to 43 (10%) and Self contained Sheltered Housing, 26 to 33 (27%).

Main firefighting action by ESFRS fire crews at accidental dwelling fires

Main firefighting action at Accidental Dwelling Fires 2017/18	Total
None - No firefighting	210
Hosereel	119
Small means	106
Portable extinguishers	25
Main branch/Jet (J)	12
Not stated	11
None - Burned out (Allowed to burn under control)	6
Foam	6
Other methods	4
Grand Total	499

42% of the accidental dwelling fires attended in 2017/18 did not require any form of firefighting action by attending crews and a further 27% were dealt with by small means, a portable extinguisher or were allowed to burnout under the supervision of the crew. (Small means includes methods such as using a bucket of water, disconnecting a fuel supply or removing an item from a heat source for example.)

Time of Accidental Dwelling Fires



Between 12:00 and 19:59 there were 266 Accidental Dwelling Fires (53.3%).

5.3 Deliberate Fires

Current Performance (April- March 2017/18): 749

Deliberate Primary Fires excluding vehicles Fires

Reduced ✓ by 2% (4) since 2016/17 from 168 to 164 fires

Reduced ✓ by 43% (125) since the 2009/10 baseline of 289

Deliberate Primary Fires in vehicles

Reduced ✓ by 16% (16) since 2016/17 from 99 to 83 fires

Reduced ✓ by 64% (147) since the 2009/10 baseline of 230

Deliberate Secondary Fires

Increased ✗ by 20% (83) since 2016/17 from 419 to 502 fires

Reduced ✓ by 41% (351) since the 2009/10 baseline of 853

Main Types of Fire

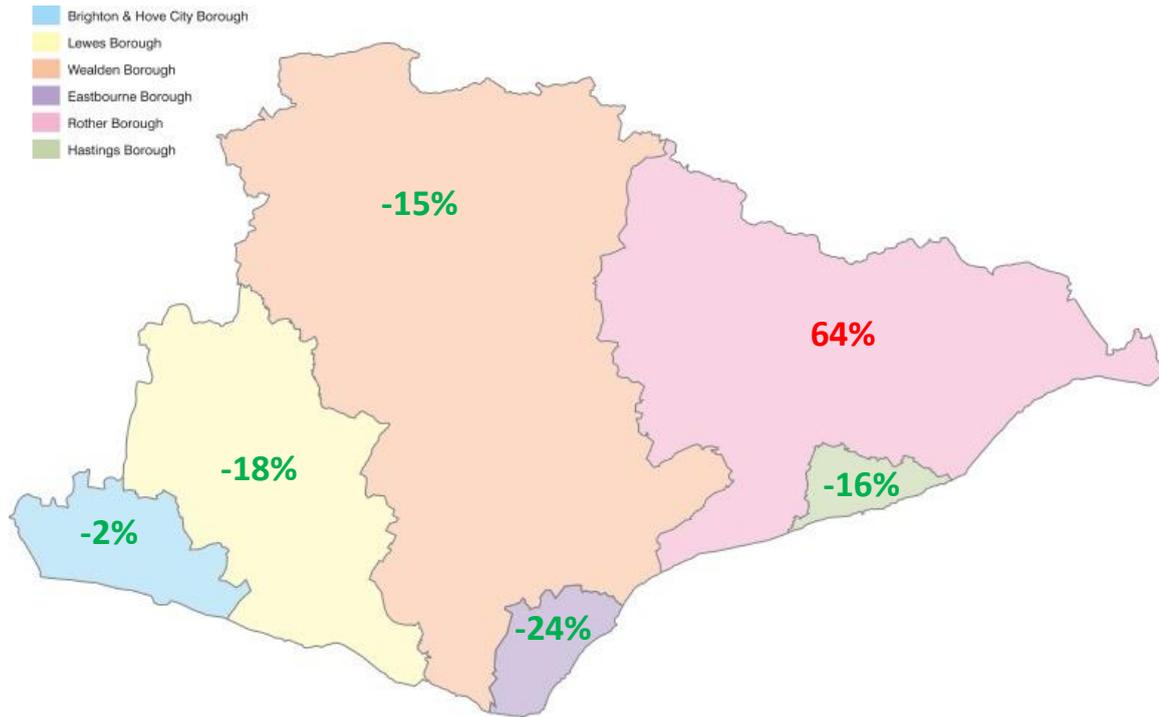
Deliberate Primary Fires – 247 fires (33% of all deliberates)

<p>23% (58) Dwelling Fires</p> 	<p>34% (83) Vehicle Fires</p> 	<p>26% (65) Industrial / Commercial Fires</p> 	<p>17% (41) Other / outdoor fires</p> 
--	---	---	---

Deliberate Secondary Fires – 502 fires (67% of all deliberates)

<p>26% (133) Grassland fires</p> 	<p>22% (110) Refuse / Bin fires</p> 	<p>52% (259) Others</p> 
---	---	--

Deliberate Primary Fires % change from 2016/17 to 2017/18 by Borough

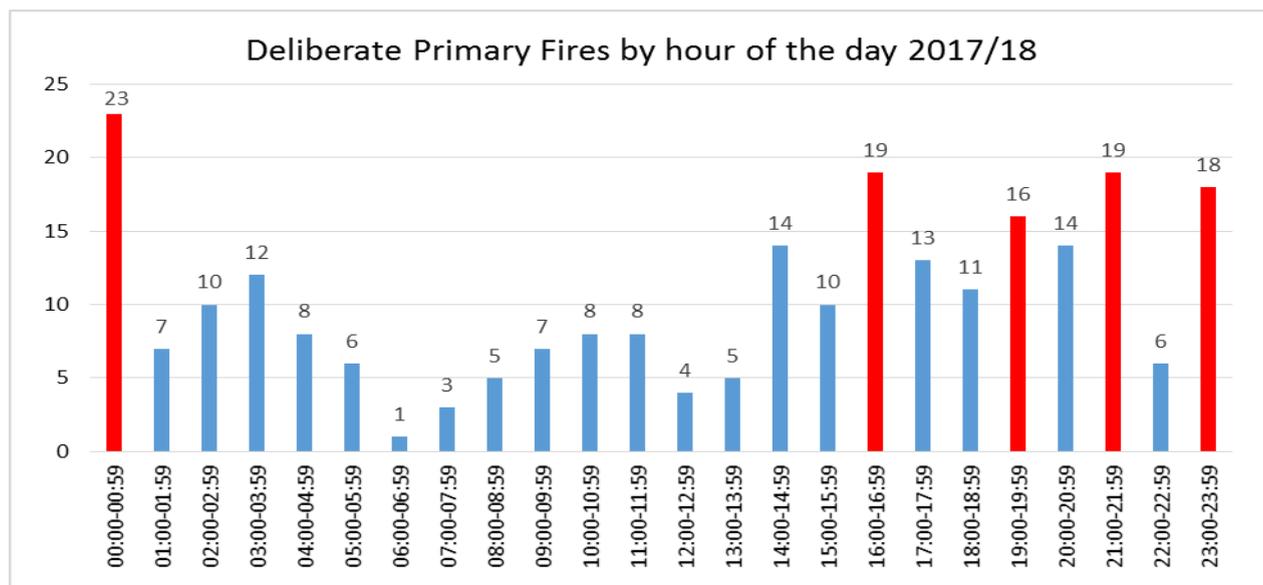


Borough*	2016/17	2017/18	% Difference
B&H	96	94	-2%
Eastbourne	29	22	-24%
Hastings	50	42	-16%
Lewes	39	32	-18%
Rother	14	23	64%
Wealden	39	33	-15%

One incident in 2017/18 was over the border *

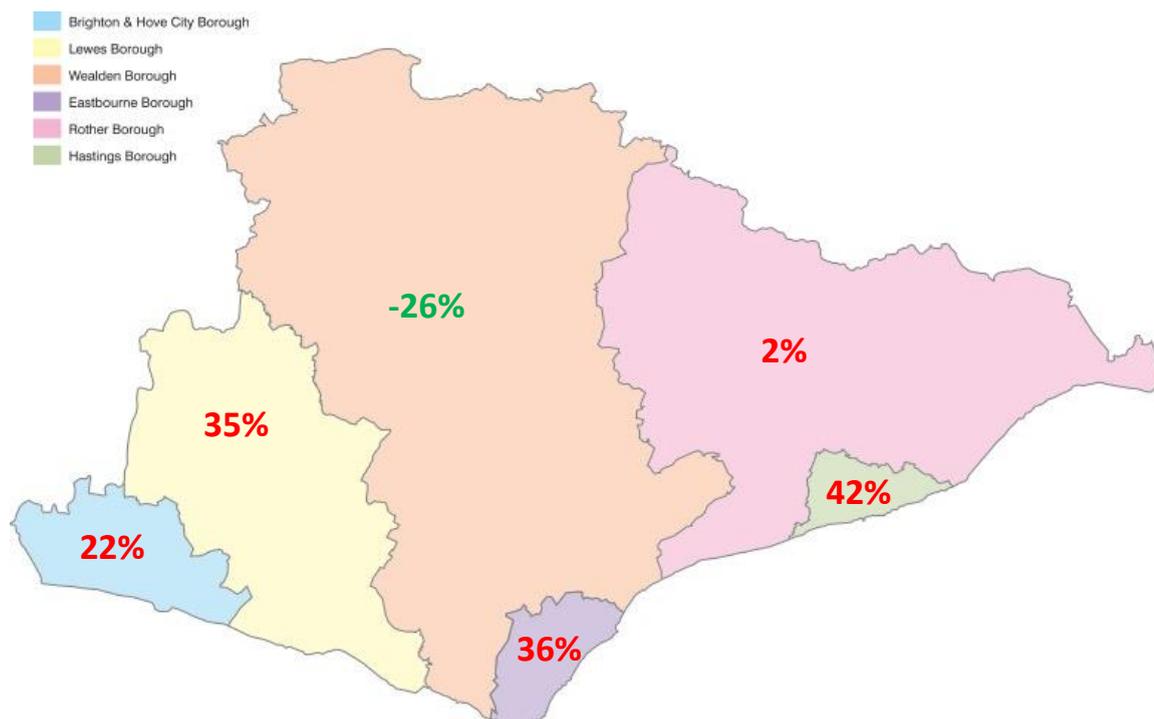
Although the numbers are low Rother had a 64% increase in Deliberate primary fires, Bexhill saw the highest increase (77%, 16 in 2017/18 and nine previously). Four were in domestic dwellings (none previously) and another seven in Non-residential properties (four in 2016/17). All information relating to trends is shared at the monthly Community Safety performance meetings for note and action in the Boroughs.

Time of Deliberate Primary Fires



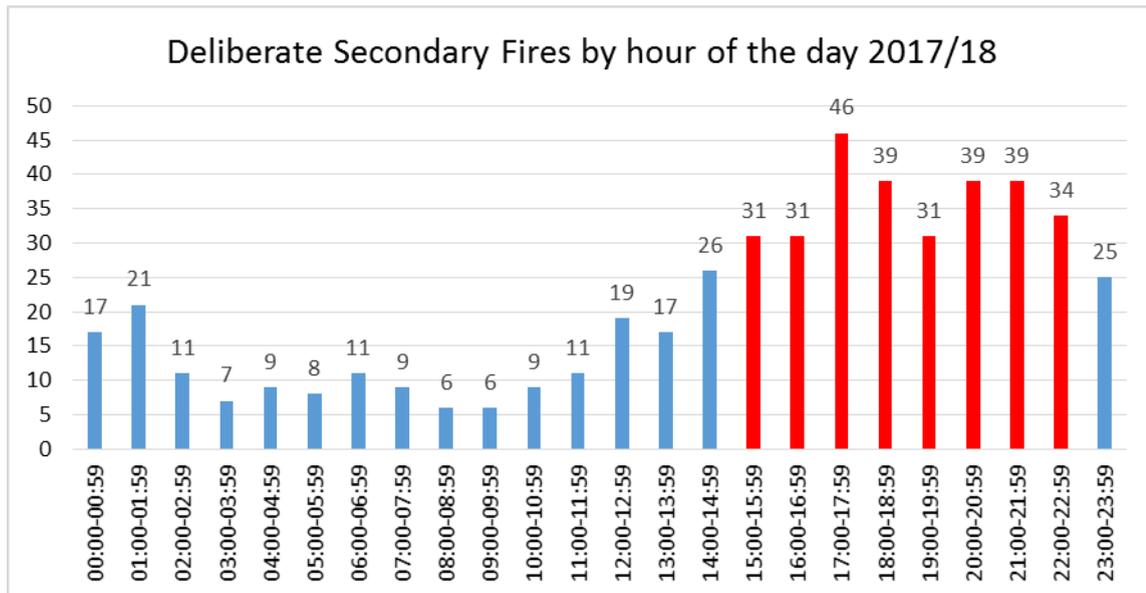
Between 19:00 and 00:59 there were 96 Deliberate Fires (38.9%) with an additionally spike between 16:00-16:59.

Deliberate Secondary Fires % change from 2016/17 to 2017/18 by Borough



Borough	2016/17	2017/18	% Difference
B&H	147	179	22%
Eastbourne	53	72	36%
Hastings	74	105	42%
Lewes	43	58	35%
Rother	45	46	2%
Wealden	57	42	-26%

Time of Deliberate Secondary Fires



Between 15:00 and 22:59 there were 290 Deliberate Fires (58%).

5.4 Primary Fire Fatalities & Injuries

Primary Fire Fatalities

Current Performance (April- March 2017/18): 2

There were 2 fatalities in 2017/18 which is a 67% (4) decrease ✓ since 2016/17.

One casualty was a male the other female.

Age Ranges

One of the victims was 32; the other was 61.

Both fatalities were classified as Accidental Dwelling Fires.

Primary Fire Injuries

Current Performance (April- March 2017/18): 38

There were 38 injuries in 2017/18 which is a 9% (3) ✗ increase since 2016/17.

Main Injury Types

44.7% (17) Overcome by Gas/Smoke

28.9% (11) Burns

23.7% (9) Breathing difficulties

2.6% (1) Other

Age Ranges

7.9% (3) between 14 and 24

5.3% (2) between 25 and 35

10.5% (4) between 36 and 45

7.9% (3) between 46 and 55

21.1% (8) between 56 and 65

28.9% (11) are 66 and over

18.4% (7) were not known

Gender

65.8% (25) were Male

34.2% (13) were Female

32 (84.2%) of these injuries were in Accidental Dwelling Fires.

5.5 Sickness Indicators

Current Performance (April- March 2017/18) 10.8 Shifts lost per person

All Staff Sickness is 47% over target ✘ (3.3 shifts) and has:

Increased ✘ by 24.1% (2.1 shifts) since 2015/16 from 8.7 shifts lost per person to 10.8.

- **Wholetime Staff Sickness** increased ✘ by 12.5% (1.1 shifts) since 2016/17 from 8.8 to 9.9 shifts per person.
- **Control Room Staff Sickness** decreased ✔ by 16.1% (3.1 shifts) since 2016/17 from 19.3 to 16.2 per person.
- **Green Book (Non Uniformed) Staff Sickness** Decreased ✔ by 10.2% (1.3 shifts) since 2016/17 from 12.7 to 11.4 per person.

There have been 5,646.5 shifts lost in 2017/18 compared 5,891 shifts lost in 2016/17. Between 2016/17 and 2017/18, ESFRS reported less FTE posts, which accounts for the decrease in actual shifts lost against the previous year; producing a higher number of shifts lost result for 2016/17.

Long Term vs Short Term Sickness

- 60% of Sickness is classed as Long Term (more than 28 days)
- 17% of sickness is classed as Medium Term (8 to 27 days)
- 23% of sickness is classed as Short Term.

5.6 Health and Safety

Current Performance (April- March 2017/18): 221 Accidents

- Decreased ✔ by 5.6% (13) since 2016/17 from 234 accidents to 221, and
- Increased ✘ by 81.8% (99) since 2010/11 from 121 accidents to 22. This is due to more detailed and accurate reporting.

The overall number of safety events has fallen slightly to 221 in 2017-18 compared with 234 in 2016-17. The figures over the previous four years have remained fairly constant which indicates that our reporting is now consistent.

For manual handling injuries, there is a small but continuous decrease in the number of incidents reported and this may be reflective of the training and the introduction of new equipment such as the plus size evacuation kit.

There has been a significant increase in the number of slip, trips and falls reported and these occur for a variety of reasons from operational environments and the challenges they present, poor housekeeping and environmental conditions (icy weather).

There has been a 20% decrease in the number of vehicle incidents and this is despite a significant increase in the number of events reported in quarter 4 of 2017-18. Again, significant effort has been put into training and standardisation of bay door timings etc to try to minimise these types of incident.

Lost time incidents were the same in 2016-17 and 2017-18 with 26 in each year but these figures are still higher than in previous years (20 in 2015-16 and 16 in 2014-15).

Incidences of work related violence and stress remain consistently low but it is likely that these are under reported and so are not indicative of the extent of the occurrences of these types of safety events.

There has been a 41% increase in the number of near miss reports and this can be taken as a positive indicator of better reporting. The reporting of near hits gives the Service greater opportunity to investigate and introduce control measures before an injury results.

5.7 Level 3 & 4 Incidents attended in 2017/18

A level 3 incident is one that is attended by between 7 and 9 appliances at one time.

A level 4 incident is one that is attended by 10 or more appliances at one time.

In 2017/18 there were two Level 4 incidents in East Sussex and five Level 3 incidents. The narrative below gives a flavour of what happened at both the Level 4 incidents and a couple of the Level 3 incidents.

1. At 19:23:51 on 25th May 2017, ESFRS were mobilised to a site operated by the waste management company: Light Brothers Limited, A27 West bound, Greystone Quarry, Southerham, to a fire involving an estimated 200 tonnes of scrap metal. Owing to the size of the fire, 10 pumps were initially mobilised. However, the fire's intensity and size required relief pumps to attend with 35 pumps in total needed to dampen down and put out the fire. The incident was finally closed on the following day: 26th May at 15:18:24. No one was injured during the fire but a nearby travellers' site was evacuated as a precaution. The fire investigation concluded that the fire was accidental with the likely cause being a ruptured lithium battery. This was a make 10 appliances incident, meaning that at the height of the fire 10 appliances attended the incident simultaneously to bring it under control.
2. At 08:44:39 on 15th March 2018, the ESFRS were mobilised to a fire reported by a person in the neighbourhood at Chandler Building Supplies (Roofing Specialist), Basin Road North, Portslade in the Shoreham port area. Initially, 10 pumps were mobilized with two aerial ladder platforms and a water bowser. Over the day, there were a number of relief pumps sent to control and put out the fire. A total of 37 Pumps were used in this incident. The incident was finally closed on 17th March 2018 at 08:44:39. The fire started in the storeroom but destroyed the whole warehouse but no other buildings were affected. No persons were injured but a few people were evacuated from a nearby property as a precaution. The cause of fire was stated as being negligent use of welding / cutting equipment which initiated a gas cylinder explosion. This was a make 10 appliances incident, meaning that at the height of the fire 10 appliances attended the incident simultaneously to bring it under control.
3. At 00:30:04 on 19th July 2017, ESFRS were mobilised to a workshop at the Three Ponds (Old Cement Works) Industrial Estate, South Highton where smoke was seen by a person coming from the roof of the building. Initially three pumps were sent but this was upgraded to six pumps by 01:10:17 as a significant fire took hold made worse by a strong wind. A further two pumps were mobilised at 02:33:56 and two relief pumps mobilised at 06:38:38 to dampen down the remnants. The fire was finally put out at 15:00. In all, 12 pumps were used in this incident, which was closed at 18:39:20. The fire destroyed the workshop but was contained and no one was injured or other buildings damaged. The considered cause of fire was a lightning strike and it was not treated as suspicious. This was a make 8 appliances incident, meaning that at the height of the fire 8 appliances attended the incident simultaneously to bring it under control.
4. At 21:06:14 on 30th September 2017, ESFRS were mobilised to a fire reported by a neighbour to CBabies Nursery, 64 Palmeira Avenue, Hove. Six pumps were initially mobilised with a

further four relief pumps sent: a total of 12 pumps were needed to put out of the fire. The incident was finally closed on 1st October 2017 at 14:29:06. The nursery was completely destroyed but no other buildings affected. The fire was classified as deliberate owing to the speed of which the fire spread with petrol being the likely cause. This was a make 8 appliances incident, meaning that at the height of the fire 8 appliances attended the incident simultaneously to bring it under control.

6. Compliments and Complaints received 2017/18

We received 26 complaints from members of the public this year as opposed to 20 last year and 127 compliments. Compliments are circulated to staff through the service brief on a weekly basis and cover all aspects of our service provision including home safety visits, incidents attended, school visits, education events etc.

Complaints Received against the Service 2017 - 2018

No.	Nature of Complaint	Substantiated?	Action Resulting / Comments
1	Erratic driving of an appliance on blues and twos	Partially Justified	Resolved and response issued. Drivers reminded of need for due care and attention
2	Manner of firefighter at incident	Unjustified	Resolved and response issued. Members of public informed of protocol regarding taking photos
3	Inappropriate behaviour of volunteer	Unjustified	Resolved and response issued. Reminder issued of the standards expected by ESFRS
4	Actions of emergency services at the scene of an RTC	Unsubstantiated	Response issued, training need identified and some ESFRS processes require review
5	Training exercise scene	Justified	Resolved and response issued. Crews reminded of the impact to the public of leaving training aids unattended in the road
6	Information given to media	Not justified	Resolved and response issued.
7	Service provided during an incident	Partially justified	Resolved and response issued. Apology sent and staff reminded of conduct at incident
8	How an ESFRS employee was treated	Logged for record purposes	No evidence or records to support the complaint
9	Inappropriate behaviour of ESFRS employee	Justified	Resolved and response issued. Apology sent and staff reminded of conduct. File passed to HR Department

No.	Nature of Complaint	Substantiated?	Action Resulting / Comments
10	Unacceptable behaviour of ESFRS employee	Justified	Resolved and response issued. Apology sent and staff reminded of conduct. File passed to HR Department
11	Unacceptable behaviour of ESFRS employee	Logged for record purposes	Evidence and records did not support the complaint
12	Fire Safety Management Enforcement - Logged for record purposes	Logged for record purposes	Logged for record purposes, to be linked in with Grenfell Tower
13	Service provided during an incident	Partially justified	Resolved and response issued
14	Home Safety Visits and inspections	Logged for record purposes	Logged for record purposes, to be linked in with Grenfell Tower
15	Labelling of compressed oxygen	Logged for record purposes	Logged for record purposes for future reference
16	Inappropriate behaviour of driver of a vehicle	Logged for record purposes	Complaint considered withdrawn as complainant did not respond to telephone calls or letters
17	Inappropriate conduct	Justified	Resolved and response issued. Apology sent and staff reminded of conduct. File passed to HR Department
18	Service provided during an incident	Unjustified	Resolved and response issued. Standard operating procedures applied
19	Alleged threat by employee	Logged for record purposes	Complaint considered withdrawn as complainant did not respond to telephone calls or letters
20	Dangerous driving	Unsubstantiated	Resolved and response issued. Example to be used in training
21	Dangerous driving	Unsubstantiated	Resolved and response issued. Example to be used in training

No.	Nature of Complaint	Substantiated?	Action Resulting / Comments
22	Driving of vehicle attending incident	Logged for record purposes	Resolved not deemed to be a complaint but a member of the public's observation. Driver reminded of need for due care and attention
23	Service received at an incident	Unjustified	Resolved and response issued. Standard operating procedures applied
24	Business Safety	Logged for record purposes	Dealt with under Business Safety legislation by Group Manager
25	Alleged dangerous driving	Logged for record purposes	Complainant did not leave any contact details unable to substantiate
26	Alleged incident during a call out	Logged for record purposes	Complaint considered withdrawn as complainant did not respond to telephone calls or letters

Appendix B - Plain English descriptions of indicators

Indicator	Plain English description	Rationale	Good Performance
No of primary fires attended	The number of major fires involving property, casualties or involving 5 or more appliances	This indicator measures the incidence of fire and related casualties, and is therefore a means by which individuals and communities can assess the fire safety support provided by ESFRS. Deliberate fires are a key component of Anti-Social Behaviour which is a national priority for Government.	Lower numbers
No of deaths arising from primary fires	The number of people whose death was caused by fire in a major fire which involves property, casualties or 5 or more appliances The death may occur weeks or months later.		Lower numbers
No of injuries (excl. precautionary checks) arising from primary fires	The number of people who required medical treatment beyond first aid given at the scene of the fire per Precautionary checks are persons sent to hospital or advised to see a doctor as a precaution, having no obvious injury or distress.		Lower numbers
No of deliberate primary fires (excl. primary fires in vehicles)	The number of fires where the cause of fire is suspected not to be an accident, involving property, casualties or involving 5 or more fire appliances		Lower numbers
No of deliberate primary fires in vehicles	The number of fires in vehicles that are not derelict where the cause of fire is suspected as not to be an accident		Lower numbers
No of deliberate secondary fires (excl. in vehicles)	The number of small fires where the cause of fire is suspected not to be an accident These include fires to: Derelict Buildings, Grass/Heath/Railway, Straw/Stubble, Refuse/Container, Tree/Fence/Lamp.		Lower numbers

Indicator	Plain English description	Rationale	Good Performance
No of deliberate secondary fires in vehicles	The number of fires where the cause of fire was not an accidental in derelict vehicles.	Deliberate fires are a key component of Anti-Social Behaviour which is a national priority for Government.	Lower numbers
No of home safety visits	The number of home fire safety visits where the householder was given fire safety advice and or had a fire alarm installed.	To raise awareness of the potential fire risks within the home in order to make them safer.	Higher numbers
Percentage of HSV to be delivered to vulnerable people	The number of home safety visits delivered to vulnerable people within our community. Vulnerability is defined as lone pensioners, people over 65, people in rented accommodation, single parent families, hearing /sight impaired and those with a limiting long elderly.	In Rising to the Challenge, The Audit Commission reiterates that Home Fire Safety Checks should not be conducted indiscriminately, but targeted to those most at risk.	Higher percentage
No of accidental fires in dwellings attended	The numbers of fires in houses where the cause was accidental	To ascertain the effectiveness of certain aspects of FRS activity including community safety education, where the public is prepared to cope with a fire event if it happens by closing doors and fitting smoke detection. And the rapid and effective response to the incident can confine the fire within the first compartment and reduce the damage and suffering.	Lower numbers
Number of fires in non-domestic properties	The number of fires in buildings such as agricultural, Industrial properties, Trade, hotels, catering etc. per	To monitor the effectiveness of fire safety under the Regulatory Reform (Fire Safety) Order (RRO).	Lower number

Indicator	Plain English description	Rationale	Good Performance
Inspections of high risk premises to support compliance with the Fire Safety Order	The number of inspections undertaken in high risk premises	Inspections within those premises covered by the fire safety order should reduce the perceived risk. Consequently, over time FRSs should see a positive reduction in inspection compliance outcomes within premise groups.	Higher number
Percentage of accidental dwelling fire confined to room of origin	The percentage of fires that did not spread past the room they started in.	To assess response effectiveness.	Higher percentage
No of working days/shifts lost due to sickness absence for all staff	The number of days/ shifts lost to sickness divided by the number of staff in post	Sickness absence reduces the effectiveness of an organisation	Lower number
Number of Workplace Reported Accidents / Injuries	The number of accidents/ injuries reported	Staff safety is paramount, and it is important that the service measures	Lower number
Number of RIDDOR incidents	The number of injuries, deaths and dangerous occurrences reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995	whether health and safety procedures and initiatives to reduce physical attacks on firefighters are working. This is particularly important in light of any changes to types of station, appliances and crewing arrangements.	Lower number

EAST SUSSEX FIRE AUTHORITY

Date 6 September 2018
Title of Report Procurement Strategy
By Claire George, Procurement Manager
Lead Officer Duncan Savage, Assistant Director Resources/Treasurer

Background Papers None

Appendices

1. Further HR Implications - Confidential
2. Target Operating Model for Procurement
3. Financial Implications of the Restructure
4. Procurement Strategy 2018-2020

Implications

CORPORATE RISK	✓	LEGAL	✓
ENVIRONMENTAL		POLICY	✓
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES	✓	CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To seek approval of the new Procurement Strategy for the period 2018-2020

EXECUTIVE SUMMARY

With ever increasing pressure on budgets and reduced funding, it is more important than ever that the Authority's Procurement Strategy aligns with and supports our purpose and commitments, and delivers cost effective services which meet the needs of our community.

This strategy details how the central Procurement Team will support the Authority to respond to the financial challenges we face, whilst maintaining our commitment to keep our community safer.

It includes a recommendation to realign the focus of the central Procurement team to maximise its value, by adopting a centralised category management approach and the re-centralisation of all complex procurement activity.

RECOMMENDATIONS Members are asked to approve:

1. The introduction of the new Procurement Strategy for 2018-20
2. The introduction of a Category Management approach within ESFA and the centralisation of pre and post tender activity in the Procurement Team
3. The release of £87,000 from the Improvement and Efficiency Reserve to fund an additional Category Specialist post on a two year fixed term basis(as set out in para 6.3)

1. BACKGROUND

- 1.1 The Authority faces many and varied challenges both internal and external and Procurement must rise to the challenge of modernising, in terms of its scope, use of technology, practices and procedures, to meet these challenges.

This Procurement strategy is intended to further widen the scope of Procurement within ESFRS and continue the transition from a tactical / transactional function to strategic leadership.

It is designed to maximise the impact of procurement, both internally and externally. There is an ever greater drive for reform and modernisation. The Medium Term Finance Plan (MTFP) sets out the need to identify savings of up to £1.6m by 2022/23 and the challenge to change has been raised by Home Secretary and Ministers for Policing and Fire. Efficiency is a significant part of the wider Reform programme and HMICFRS inspections, commencing in 2018, will have a keen focus on procurement as part of a wider assessment of efficiency and effectiveness.

In response to the Home Office's fire reform programme, the National Fire Chiefs Council (NFCC) has created a strategic committee tasked with harnessing our national buying power, under a category management approach. This has enabled an unprecedented level of data sharing, collaboration and transparency, which will drive significant aggregation of demand and the Procurement Strategy has been designed to directly align with this undertaking.

The core principles focus our activities on delivering efficient and effective, commercially sound commissioning and introduce the proposed restructure of procurement to facilitate a corporate, co-ordinated approach to purchasing.

Central to delivering against this strategy is the introduction of a category management approach and the central co-ordination of all contracting activity; from pre procurement analysis to post award contract & supplier relationship management.

2. STRATEGIC CONTEXT

- 2.1 The Authority faces many and varied challenges both internal and external and Procurement must rise to the challenge of modernising, in terms of its scope, use of technology, practices and procedures, to meet these challenges.
- 2.2 There is an ever greater drive for reform and modernisation. The Medium Term Finance Plan (MTFP) sets out the need to identify savings of up to £1.6m by 2022/23 and the challenge to change has been raised by Home Secretary and Ministers for Policing and Fire. Efficiency is a significant part of the wider Reform programme and HMICFRS inspections, commencing in 2018, will have a keen focus on procurement as part of a wider assessment of efficiency and effectiveness.
- 2.3 In response to the Home Office's fire reform programme, the National Fire Chiefs Council (NFCC) has created a strategic committee tasked with harnessing our national buying power, under a category management approach. This has enabled an unprecedented level of data sharing, collaboration and transparency, which will drive significant aggregation of demand and the Procurement Strategy has been designed to directly align with this undertaking.

3. PROPOSED RESTRUCTURE OF PROCUREMENT

- 3.1 In order for the procurement activities undertaken within the Authority to align with our corporate business plans and the National Agenda for reform and standardisation, a centralised, coordinated, category approach is vital.
- 3.2 To maximise value and harness commercial advantage we must focus far greater effort and resources into the pre-tender activities such as identifying needs, market research and supplier engagement and the post-tender activities such as contract management, supplier performance and continuous improvement, instead of focusing large amounts of attention on the actual process of "The Tender" itself, as we do now. Centralising and refocussing central Procurement's resources on these fundamental activities, will enable us to capture the benefits.

3.3 Centralised Procurement enables:

- alignment with corporate objectives
- better pre-procurement market engagement
- early identification of the optimum route to market
- outcome based specifications which drive value and are fit for purpose
- increased compliance and control
- a consistent process
- robust contracts, which balance risk and commercial advantage
- increased purchasing power & better leverage
- a targeted approach, which considers the wider context, including opportunities for collaboration
- technical and Service standardisation
- demand management

- improved contract management and problem resolution
 - lower training costs
 - improved transparency, spend management/data capture, reporting & audit
 - reductions in process costs
 - Focus of limited resource on those areas that offer the greatest opportunity for efficiency (including cashable savings) and effectiveness
- 3.4 It is proposed that with this restructure, Procurement will make the final transition from a tactical / transactional function to act strategically to lead and guide the process of procurement within ESFRS, not to actively procure low value, high volume commodities.
- 3.5 All Requests for Quotes up to a value of £50,000 will be made via the central Procurement Team, as will all tenders above £50,000. This hybrid structure supplements local buyers and teams with a corporate team that leverages spend into co-ordinated categories.

4. CATEGORY MANAGEMENT

- 4.1 Category management is a structured, co-ordinated, strategic approach which links directly to business planning for the procurement of goods and services, and manages the process from identification of need to delivery and ongoing supplier performance.
- 4.2 Proposed categories will directly align with the NFCC and include: clothing, fleet, operational equipment, ICT, facilities management and construction and professional services.
- 4.3 Sourcing decisions based on objective information and which follow a Position, Choice, Action approach, using market analysis and spend data, to provide a broad understanding of the supply market, the opportunities and the threats.
- 4.4 A fundamental element of the category plan will be the identification of the scope for future efficiencies and this will enable the setting of targets for each category on an annual basis.

5. CORPORATE RISK

- 5.1 Central oversight of all purchasing and contractual arrangements which utilises the professional procurement expertise within the Authority, will ensure we have robust agreements which are legally sound, compliant and offer appropriate recourse both in terms of remedy and remuneration.
- 5.2 Tenders will be crafted from the early stages to balance risk and commercial advantage and post award, suppliers will be proactively managed, to ensure service level agreements and key performance indicators are being met.

- 5.3 The internal audit report for the Outsourced Service Delivery of IT recommended a corporate approach to contract management. As part of the recentralisation of Procurement, a key deliverable for Category Specialists, would be a corporate contract management framework which sets out expectations for a proportionate contract management regime based on risk (for example financial value, complexity, longevity, business criticality) and would also include a number of supplementary areas, such as business continuity, financial health/insurance checks and risk management.

6. FINANCIAL IMPLICATIONS

- 6.1 The revenue budget for 2018/19 already includes additional base budget funding to make the current fixed term Procurement Officer post permanent (£41,000). This maintains the status quo and allows the Procurement Team to continue with its current approach and workload. However in order to deliver the switch from a tactical / transactional function to a strategic one, further changes to the structure are required. It is proposed that the current Procurement Officer roles are re-written and re-evaluated as Category Specialists (similar to the approach being taken at KFRS) to ensure that the Authority uprates its skills and can attract the right mix of qualified and experienced staff. At the same time, once the transactional workload of the team is reduced (through process improvements e.g. p-cards) the lower level posts within the team will also need to be re-cast (possibly as a career grade) to ensure they can support the Category Specialists and undertake procurement activity below £50,000.

This proposed target operating model for a restructured Procurement Team, subject to grading and consultation, will require an investment of £69,500 pa. It is recommended that this is funded as follows:

- Additional Category Specialist post (Two year fixed term contract) = Improvement & Efficiency Reserve £43,500 pa = £87,000
- Other changes = existing Directorate budgets (savings from Orbis contract) £26,000 pa

The structure will be reviewed again 18 months after implementation.

- 6.2 The restructure & transition to a centralised, category approach, is predicated on the devolvement of tactical purchasing within ESFRS, via the Service wide rollout of Procurement Cards. This in itself is not insignificant & cannot be absorbed as Business as Usual within the Procurement Dept. It is therefore proposed that we secure a temporary resource to deliver this initial piece of work, whilst work continues in tandem to implement the wider transition. Much of the foundation work has been completed & it is anticipated that we will require this resource for a maximum period of 4 months. Funding for this will be from the Improvement and Efficiency Reserve as previously agreed by SLT (up to £20,000).
- 6.3 In order to meet the significant effort required to draft the category strategies and to recognise the time it will take the team to transition to its new role, it is

proposed that we secure the services of an additional Category Specialist on Fixed Term contract for a period of two years at an estimated cost of £43,500 per annum, excluding pay award & increment. It is anticipated that once the Category Plans are in place this post would at least recover its own costs in savings.

- 6.4 Concurrently, the Category Assistants will continue their studies towards Chartered Institute of Purchasing & Supply (CIPS) certification and this upskilling within the existing team will ensure we have the resources to succeed the temporary resource upon contract expiry. This will also facilitate the transition from transactional activity enabled by the wider roll out of p-cards planned for Q3 & Q4 2018/19 and a further review of the P2P process (purchase to pay) which is being considered.
- 6.5 The transfer of pre and post tender procurement activity into the Procurement Team should free up time and resources within key commissioning teams. At this stage it has not been possible to estimate to scale or value of this, however the number of complex contract lets requiring central support has more than trebled in the last three years to 45 in 16/17.

7. POLICY IMPLICATIONS

- 7.1 The proposals contained within the Procurement Strategy will require a change in existing Procurement policy, notably the mandating of all commissioning over £5,000 to be overseen by the central function.
- 7.2 Governance arrangements will need to be reviewed to address the roles and responsibilities in relation to the crafting and approval of the Category Strategies and the decision points for identified savings and opportunities.
- 7.3 The recentralisation of key commissioning activities will require a significant cultural shift and will also impact on the business planning process. Sharing the vision for Procurement and effectively communicating with stakeholders at all levels will be fundamental.

It is proposed that a Working Group led by Procurement and with representation from relevant business areas, will be formed to deliver the transition. Participants will be required to support on a rolling basis and will include Communications, Training & Assurance, HR and Finance.

- 7.4 A key enabler for linking the category strategies directly to Business Planning is the representation of Procurement at the Star Chambers motioned for implementation in 18/19.

8. POLITICAL IMPLICATIONS

- 8.1 The category approach directly aligns with the NFCC Strategic Committee and demonstrates our commitment to drive the national agenda.

8.2 The Public Contracts Regulations 2015 will remain in place during negotiations for Brexit and whilst there is no clear understanding at present, we continue to monitor the situation.

9. HR IMPLICATIONS

9.1 The proposed target operating model requires a restructure of the Procurement Team, subject to grading and consultation and as described in the confidential appendix 1.

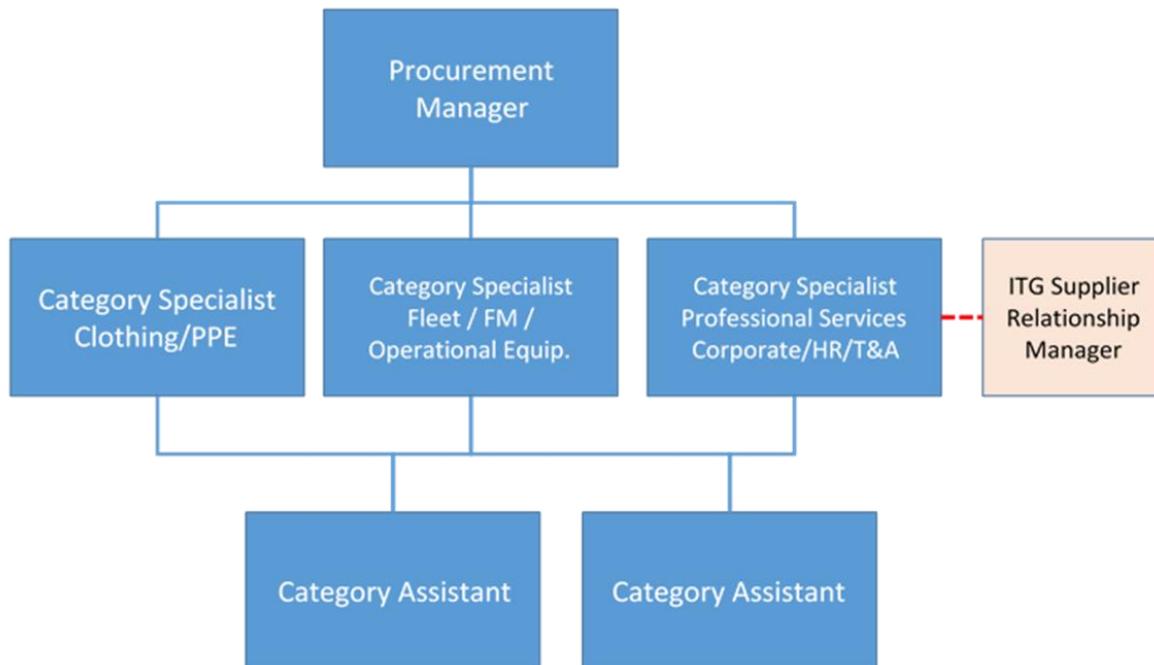
9.2 An HR advisor will be appointed to the Working Group. Activities, in order of priority, are anticipated as follows:

- Recruitment of interim resource
- Agreement of JD's for target operating model
- Job evaluation
- Consultation
- Recruitment of 2 year fixed term Category Specialist
- Recruitment/migration of existing staff to new target operating model

10. INCLUSION & DIVERSITY

10.1 It is anticipated that the impact will be positive given the inclusion of Social Value as a key theme within the Strategy and Equality Impact Assessments as an integral component of the business requirements suite, within category strategy formation.

Appendix 2 – Target Operating Model for Procurement



Appendix 3 – Financial Implications

Role	FTE	Salary incl. on- costs £
<i>Current Structure</i>		
Procurement Manager	1	58,500
Procurement Officer	1	41,000
Procurement Officer	0.595	25,100
Assistant Procurement Officer	1	30,300
Procurement Assistant	0.595	15,700
	4.19	170,600
<i>Proposed Structure</i>		
Procurement Manager	1	60,300
Category Specialist (permanent)	2.0	87,000
Category Specialist (2 yr fixed term)	1	43,500
Category Assistant	1.595	49,300
	5.595	240,100
Additional cost		69,500

Note: This table does not include 1/4/18 pay award

Appendix 4

East Sussex Fire Authority

Procurement Strategy 2018 to 2020



East Sussex
Fire & Rescue Service



Compliance, Coordination and Commercialism

Contents

1. Foreword from the Chief and Chair
2. Introduction
3. Strategic Context
4. Our Purpose, Commitments & Values
5. Our Vision for Procurement
6. Our Key Themes
7. Measuring success
8. Priorities for years 1, 2 and 3

1. Foreword



East Sussex Fire Authority is committed to making effective use of our resources and this strategy forms an important part of that promise. With ever increasing pressure on budgets and reduced funding, it is more important than ever that the Authority's Procurement Strategy supports our purpose and commitments and delivers cost effective services, which meet the needs of our community. Leaders have a key role to play in our sector to support the drive for more standardisation and joined-up procurement. Transparency of the procurement process and demonstration of best practice and value for money are key ways in which we can to respond to the questions asked of us by central Government. More than that, we have a moral duty to the public who fund us through Council tax and other rates to deliver our services effectively and efficiently. This strategy details how the central Procurement Team will support the Authority and the Service's leaders and managers to respond to the financial challenges we face, whilst maintaining our commitment to keep our community safer.

John Barnes
Chairman



The Authority faces many and varied challenges both internal and external and part of that is delivery of effective and efficient Procurement, to ensure we deliver the right services, equipment and resources to enable East Sussex Fire and Rescue to make our communities safer. In this Procurement strategy we set out how we will approach this challenge and continue the transition from a transactional function to part of the way we deliver services.

It directly aligns with the National Fire Chiefs Council strategy to drive increased and sustained collaboration and standardisation. The core principles focus our activities on delivering efficient and effective, commercially sound commissioning. Whether we are buying uniform or fire appliances, our procurement strategy is at the heart of the drive to deliver the very best value for the Service and the wider community.

Dawn Whittaker
Chief Fire Officer

2. Introduction

East Sussex Fire Authority's (ESFA) aim is to make our communities safer by providing prevention, protection and response services to 812,514 people within the area of East Sussex and the City of Brighton & Hove.

With ever increasing pressure on budgets and reduced funding, it is more important than ever that the Authority's Procurement Strategy aligns with and supports our Purpose and Commitments and **delivers efficient and effective** services, which meet the needs of our community.

With a net annual spend of circa £10m on goods, services and works, procurement and contract management are key to achieving efficiencies within the organisation. **Delivering value for money & optimum management of limited resources, without compromising resilience, are paramount.**

This strategy details how the central Procurement Team will support the Authority to respond to the financial challenges we face, whilst maintaining our commitment to keep our community safer and **drive out value for the public purse.**

By recentralising all complex procurement activity and by formulating and delivering category strategies which are aligned both internally and with our external partners, this strategy will create value, ensure compliance and maximise the impact of Procurement.

The 8 Key Themes of this strategy are central to its delivery and are designed specifically to enable efficient and effective, commercially sound commissioning within ESFA.

3. Strategic Context

CHALLENGES AND OPPORTUNITIES

The Authority faces many and varied challenges both internal and external, and Procurement must rise to the challenge of modernising, in terms of its scope, use of technology, practices and procedures, to meet these challenges.

There is an ever greater drive for reform, modernisation and delivering maximum value for our taxpayers.

The Medium Term Finance Plan (MTFP) sets out the need to identify savings of up to £0.7m by 2022/23 and Members have set a clear expectation that the Authority will deliver efficiencies in excess of this to allow re-investment in the service. The challenge to change has been raised by Home Secretary and Ministers for Policing and Fire through the Fire Reform Agenda. Efficiency and effectiveness is a key pillar of that wider Reform programme. There is active collaboration across local emergency services, and a renewed commitment to closer collaboration through the 3F partnership (Surrey and East and West Sussex Fire Services).

Ministerial responsibility for fire and rescue policy sits with the Home Office. With the challenge around reform, standardisation and aggregation of our

commercial activity set by the Home Office, it is essential that both as an individual FRS and as a Sector, we understand how much we spend, with whom and on what, **to secure the best possible value for the public purse.** **HMICFRS inspections**, which will commence in early 2018, will have a keen focus on procurement as part of a wider assessment of efficiency and effectiveness.

In terms of legislative changes, how procurement will be regulated after **Brexit** and how it will impact on our supply chains is hard to predict. The Public Contracts Regulations 2015 will remain in place during negotiations for Brexit and whilst there is no clear understanding at present, we continue to monitor the situation and will be conducting Brexit Impact Assessments, to understand any exposure well in advance.

As we consider how we can meet the demands and drive the change to manage these challenges, it's important to recognise that challenges create **opportunities.**

The drive for reform creates a sense of urgency which anchors the need for change and modernisation and financial pressures open the door for Procurement to play a key strategic role, in driving value and competitive advantage.

Brexit may give rise to opportunities where de-regulation makes purchasing easier and could provide an opportunity for simplified and improved procedural rules within each UK jurisdiction. The reshoring of British supply chains in advance of Brexit could also provide an excellent opportunity for small and local businesses to win new contracts.

In response to the Home Office's reform charge, the **National Fire Chiefs Council (NFCC)** have created a strategic committee tasked with harnessing our national buying power, under a category management approach. This has enabled an unprecedented level of data sharing, collaboration and transparency, which will drive significant aggregation of demand. National 'Basket of Goods' benchmarking exercises have already identified areas of spend and common suppliers, which can be targeted both as an individual FRS and as a Sector.

The benefits of driving change and getting better deals for the sector as a whole, will provide better value for money and help to maintain frontline services.

In this climate of increased scrutiny, legislative and political uncertainty, coupled with the need to modernise Procurement and satisfy greater demand with

limited resources, it's clear that how we develop our strategic Procurement capability has never been more vital.

4. Our Purpose, Commitments and Values

Our Purpose

"We make communities safer"

Our commitments

Delivering high performing services

Educating our communities

Developing a multi-skilled, safe and valued workforce

Making effective use of our resource

Our values

Respect & Dignity for all

We treat our colleagues and all members of our Community in a way that values their individuality.

We will challenge discrimination and inappropriate behaviour at all levels.

Trust, integrity, initiative and innovation

We are honest and trust each other. We encourage initiative and lateral thinking.

Serving our whole Community

We are here to provide a professional and efficient service to our Community.

We will provide value for money.

We are proud of our Fire & Rescue Service and enjoy working in a positive environment.

We enjoy the work we do and we work towards the continual improvement of our Service and ourselves.

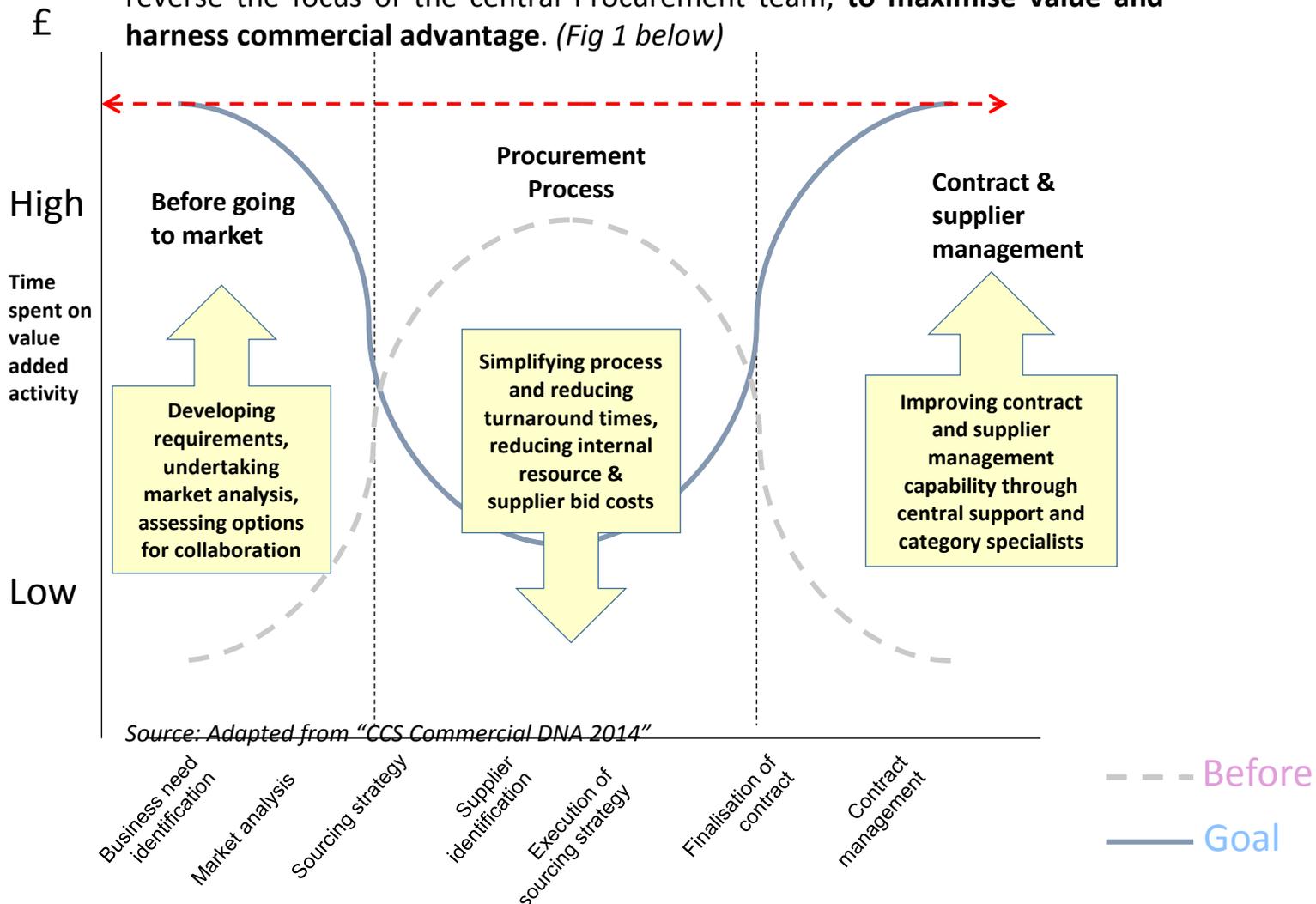
We encourage and will manage constructive challenge.

We will be a good employer.

5. Our Vision for Procurement

A CORPORATE, COMMERCIAL SERVICE, DELIVERED CENTRALLY AND COLLABORATIVELY, ON BEHALF OF THE AUTHORITY

The **best value** from any contract is at the beginning when it's being shaped and at the end when it's being managed. This diagram illustrates how we aim to reverse the focus of the central Procurement team, **to maximise value and harness commercial advantage.** (Fig 1 below)

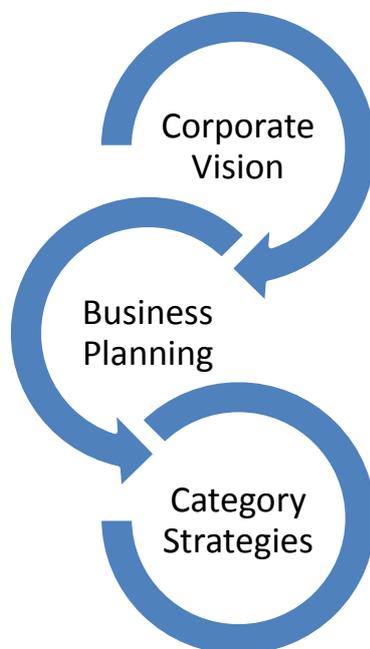


To gain best access to these opportunities, we must focus far greater effort and resources into the pre-tender activities (identifying needs, market research and supplier engagement) and into the post-tender activities (contract management, continuous improvement, negotiation), instead of focusing large amounts of attention on the actual process of "The Tender" itself, as we do now.

Centralising all complex pre-procurement & post award activity will significantly enhance our capability to identify scope for improvement, whether in the specification or contract management stages.

CENTRALISED PROCUREMENT

In order for the procurement activities undertaken within the Authority to align with our corporate business plans and the National Agenda for reform and standardisation, a **centralised, coordinated, category approach is vital.**



Recentralising all complex procurement activity under the professional expertise of the Procurement Department will give an opportunity to better organise & coordinate external spend and improve leverage in contracting and negotiation, by forming a better orchestrated approach to the supply base.

The central team will work with the **subject matter experts in the key commissioning departments**, to craft category strategies which Procurement will manage & deliver.

Centralised Procurement enables:

- alignment with corporate objectives
- better pre-procurement market engagement
- early identification of the optimum route to market
- a targeted approach to identifying opportunities for collaboration
- outcome based specifications which drive value and are fit for purpose
- increased compliance and control
- a consistent process
- robust contracts, which balance risk and commercial advantage
- increased purchasing power & better leverage

- technical and Service standardisation
- demand management
- improved contract management and problem resolution
- lower training costs
- improved transparency, spend management/data capture, reporting & audit
- reductions in process costs

Our Vision is that tactical, low value purchasing (sub £5000) will remain within the remit of the individual business areas, accessing corporate contracts via a One Stop Shop, utilising Procurement Cards (P/Cards) & electronic requisitions.

All Requests for Quotes up to a value of £50,000 will be made via the central Procurement Team, as will all tenders above £50,000. This hybrid structure supplements local buyers and teams with **a corporate team that leverages spend into coordinated categories.**

The primary aim of these improvements is to shift the Procurement team resource from transactional to value adding activity. Procurement will act strategically to lead and guide the process of procurement within ESFRS, not to actively procure low value, high volume commodities.

6. The Key Themes to Deliver Our Vision

8 KEY THEMES SUPPORTING COMPLIANCE, COORDINATION AND COMMERCIALISM

The core principles which will focus our activities on delivering efficient and effective, commercially sound commissioning. The themes reflect the importance of **strengthening our pre and post procurement activities** and focus effort and resources where they add most value.



Theme 1

Technology, clear and efficient processes, coordinated and supported by the central team, modernising and simplifying the process of procurement to make better use of technology and e-procurement tools, such as P/cards and electronic requisitions.

Better management of data by accessing NFCC supported spend analysis tools.

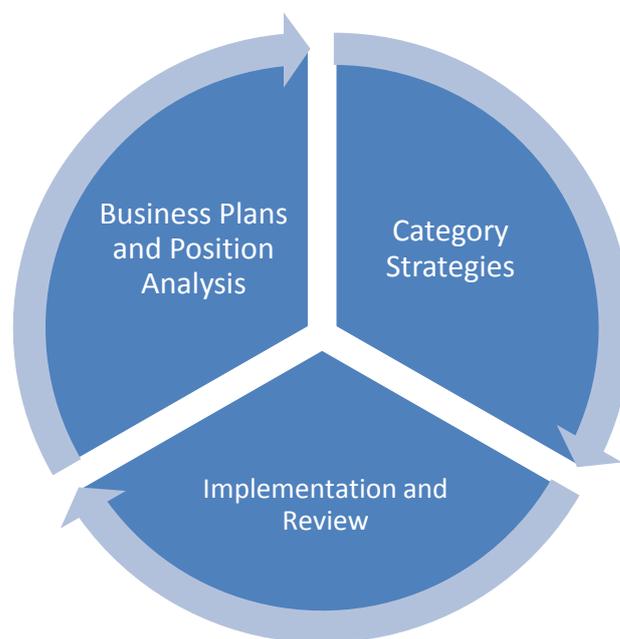
E-learning packages to strengthen the governance induction process and maintain competency.

Better use of social media to alert and target local enterprises and SMEs in both the private and 3rd sector, to new procurement opportunities.

Theme 2

Category management is a structured, coordinated, strategic approach which links directly to business planning for the procurement of goods and services, and manages the process from identification of need to delivery and ongoing supplier performance. It focuses on the majority of organisational spend and seeks to reduce demand, simplify the way we buy and aggregate spend across the entire organisation or multiple organisations.

HOW WILL THIS WORK IN PRACTICE?



1. Proposed categories will directly align with the **NFCC** and include: **clothing, fleet, operational equipment, ICT, facilities management and construction and professional services.**

2. Analysing key areas of spend to enable identification of savings and or/collaborative opportunities and maximise the value of spend.
3. In partnership with our key commissioning departments, strategies will be developed which make sourcing decisions based on objective information and which follow a **Position, Choice, Action** approach, using market analysis and spend data, to provide a broad understanding of the supply market, the opportunities and the threats. (Fig. 2)

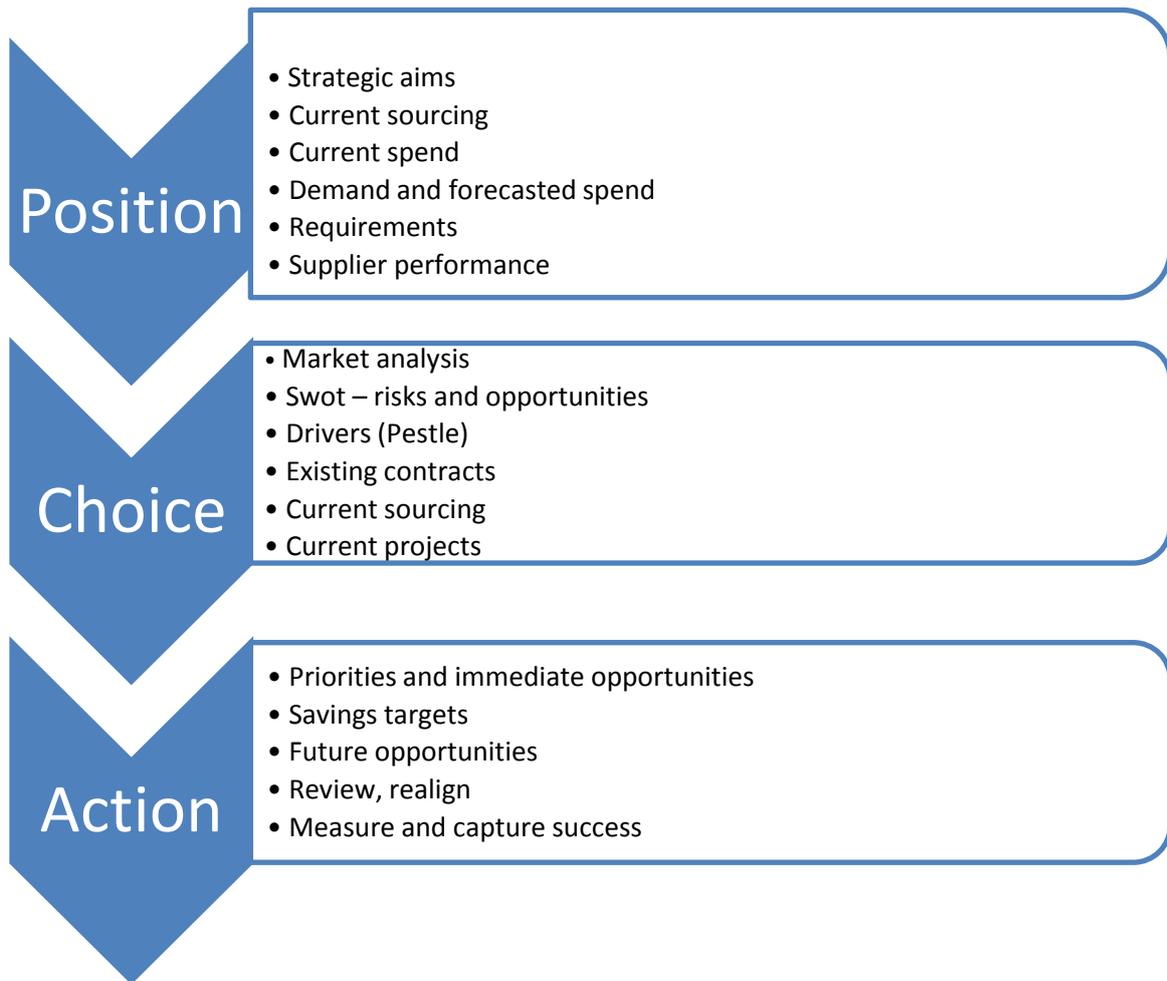


Fig. 2

4. Key commissioning departments will be supported by **3 Category Specialists** (Fig. 3) within the central team, to implement the strategies, measure performance and review outcomes.

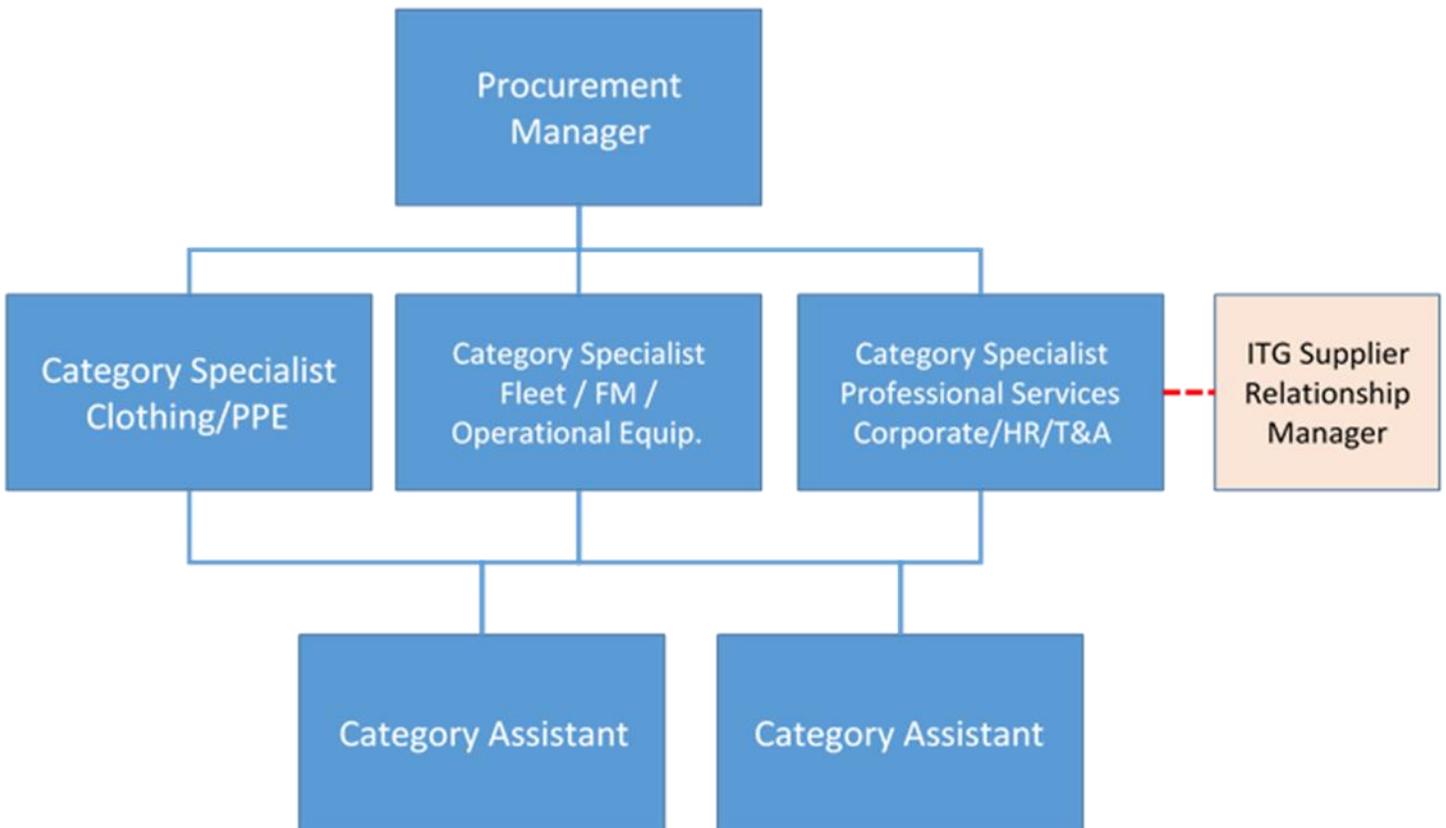


Fig.3

Theme 3

We will support **Partnering and Collaboration** by aligning our categories with the national agenda, aggregating spend through effective collaboration or by sharing services on common goods and services, without compromising the outcome.

Pre-procurement activity and sourcing strategies underpinning the category approach, will enable us to identify & target any opportunities for collaboration either nationally, locally or both ahead of going to market.

Theme 4

Successful **Contract Management** is most effective where pre-award activities are properly carried out and there is robust performance monitoring and transparency. A category led approach to contract management, will oversee contract delivery, optimisation and performance.

Securing best value through proactive supplier relationship management and central monitoring of KPIs and SLAs, with our key internal customers, this central oversight will ensure agreed benefits do not leak away. This enables continuous improvement and in essence, **ensures we not only get the negotiated result but continue to realise benefits.**

Theme 5

People and continued **Development** of their skills is fundamental to the success of our strategy.

The recentralisation of complex procurement activity will see a reduction in planned training costs across the service.

In order to support the central team however, a training needs analysis exercise will be conducted across the Service for all staff engaged in commissioning activity and **Procurement Development Plans** will be developed. This will enable us to enhance our skills across the organisation in relation to **contract management, specification writing and commercial behaviour.**

In order to maintain the specialist, professional advice and support offered by the central team, the Category Assistants will continue to work towards their Chartered Institute qualification.

We will support the organisation with regular updates, standard templates, training guides and e-learning packages to embed best practice across the Authority.

Theme 6

Clear **governance**, the right structure, processes and people in place will allow us to coordinate and control spend.

Procurement activity will be strongly linked to Corporate objectives and Business Plans via the Category Strategies.

A centre led approach will foster consistent, compliant processes and central monitoring will track spend against contract value.

Procurement will support colleagues to procure transparently, ethically and with integrity.

Theme 7

Risk Management. Identifying and mitigating risk is integral to the formulation of the category strategies and associated contracts.

Category Strategies will use the Kraljic Matrix approach to segment supplies according to value & risk of supply. (Fig 4)

This will enable a risk based assessment for each category, which will be used to decide on a relevant approach for supplies.

Devolving purchasing of the tactical, low value, low risk supplies to the wider Service via P/Card purchasing, will free up time within Procurement to focus on the strategic, bottleneck and leverage items where we can add real value.

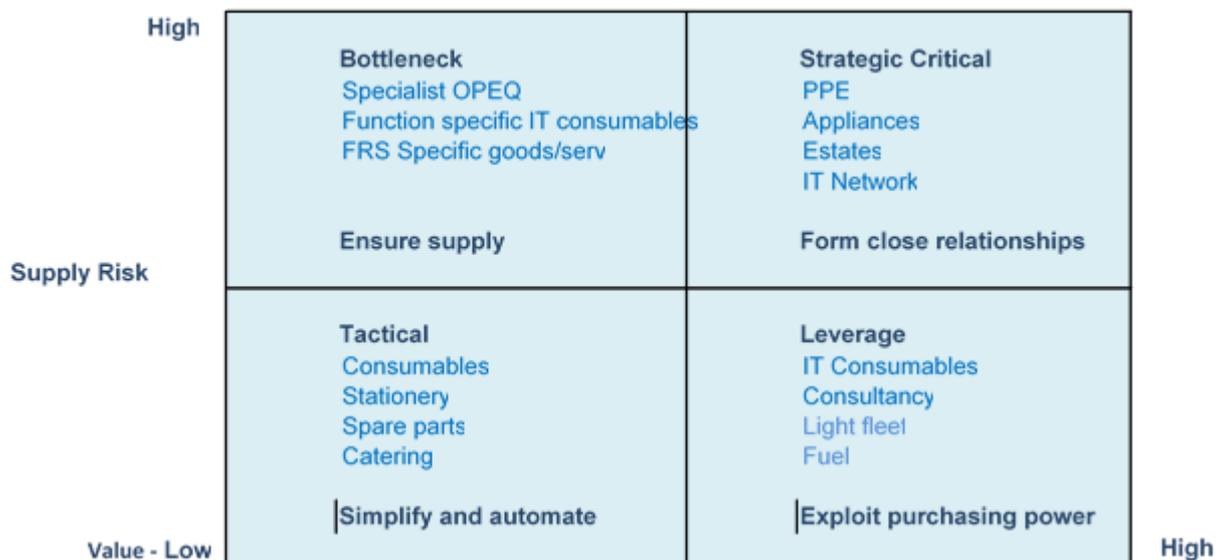


Fig. 4

In relation to **contracts**, Procurement will ensure that **contracts** contain sufficient and appropriate recourse and remedies, including financial recompense and non-punitive damages, where appropriate to the impact.

Brexit Impact Assessments (Appendix C) will be introduced to enable early identification of any potential exposures and opportunities, in relation to our supply chain, contractual arrangements and future procurements.

Theme 8

Social Value represents the additional social, economic and environmental value created by our developments throughout their lifetime for the communities and regions where we operate.

The **Social Value** Act 2012 has acted as a catalyst for change in the Public Sector, by requiring Public authorities to have regard to economic, social and environmental well-being of communities and allowing them to deliver additional growth, skills, jobs and other community benefits, directly via their tendering activity and resulting contracts.

These benefits can be encouraged, captured and measured by how we approach the market. If our potential suppliers see significant rewards and weightings within tender opportunities for Social Value added, it will signal very clearly that we value their social innovation.

Social Value will form part of the award weighting for **all relevant** opportunities, so that we consider the economic, social and environmental benefits to our community, from every pound that is contracted by us.

Measures can include how suppliers:

- deliver local employment
- support apprenticeship opportunities
- support the local community
- protect the environment
- improve opportunities and skills for local people
- work with schools and/or volunteers
- support diversity and ensure equality

7. Measuring Success

HOW WILL WE MEASURE OURSELVES?

Our priorities are summarised for information and covered in more detail within the Procurement Business Plan.

Principle	Measure	Target
Control of Spend	% applicable spend managed by robust contracts	95%
	% influence-able spend managed by central procurement team	80%
	% procurements with evidence of appropriate process	95%
Systems	% low value transactions processed via P/card	80%
	% opportunities advertised via e-tendering portal	90%
People	No. of staff trained in Procurement relative to role	90%
Policy	No. of exceptions/waivers per no. of procurements	< 10%
	No. of retrospective POs and FV60 invoices	< 10%
	Evidence of Social Value delivered	Qualitative assessment
	No. of SMEs registered on e-tendering portal	10% of supply base
Contract Management	% of key contracts performance managed by Procurement	50% growing to 90%
	Staff responsible for CM trained	90% by 2019
	No. of significant contractual disputes	2 or less
	% of key contracts evidencing regular, effective supplier management	60%
Customer Satisfaction	360' Annual Feedback Survey of internal colleagues	Qualitative Assessment
Savings	Actual savings (individual categories) NFCC Savings Register	Targets set annually
	% annual saving on influence-able spend	Not < 5%
Benchmarking	NFCC Basket of Goods	Bi-annual reporting

Our performance against these targets will be reported to the Fire Authority annually. , to embed the approach, ensure governance and measure our contribution towards the MTFP.

8. Priorities

PLAN DO CHECK ACT

Our priorities, which are detailed within the Procurement Business Plan, are summarised below:

Year 1
Implement P/Cards Service wide
Recruit Category Specialist
Work with key departments to draft category plans
Categorise supply chain & rate risk (Kraljic)
Set savings targets/identify opportunities
Commence Training Needs Analysis (TNA)

Year 2
Adopt and implement full category approach
Set savings targets/identify opportunities
Review performance against targets
Complete TNA
Implement Procurement Development Plans

Year 3
Review performance against targets
Set savings targets/identify opportunities
Refresh Category Plans
Review Procurement Development Plans
Review Procurement Department structure

