

EAST SUSSEX FIRE AUTHORITY

Panel: **Policy and Resources**

Date: **10 January 2013**

Title: **Fire Authority Service Planning processes for 2013/14 and beyond - draft Revenue Budget 2013/14 and Capital Programme 2013/14 to 2017/18**

By: **Chief Fire Officer & Chief Executive and Treasurer**

Purpose of Report: **To present the draft 2013/14 Fire Authority Service Planning issues for initial consideration prior to formal consideration by the Fire Authority at its meeting on 17 January 2013.**

RECOMMENDATION The Panel is asked to consider the draft detailed Service Planning document relating to this report attached as an appendix and advise officers of any priorities it wishes to be taken into consideration in the draft 2013/14 Revenue Budget and Capital Programme 2013/14 to 2017/18 (base year 2012/13).

MAIN ISSUES

1. The Panel is asked to consider the initial draft service planning document attached as an appendix. Further advice on any news on the council tax base and surpluses and deficits will be advised, if received. The Panel is also asked to advise officers of any further policy priorities it may wish to be taken into consideration for subsequent consideration by the Fire Authority at its meeting on 17 January 2013.
2. The final Revenue Budget and Capital Programme will be incorporated into final versions of the 2013/14 Strategic Plan and the 2013/14 Annual Plan, once the Fire Authority has approved them in February 2013, for subsequent publication.
3. The Fire Authority is required to set its precept for 2013/14 at its meeting on 7 February 2013.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
4 January 2013

Duncan Savage
TREASURER

DRAFT TO POLICY AND RESOURCES PANEL 10 JANUARY 2013**JOINT REPORT OF CHIEF FIRE OFFICER & CHIEF EXECUTIVE AND TREASURER
DRAFT REVENUE BUDGET 2012/13 & CAPITAL PROGRAMME 2012/13 to 2017/18**

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1. **INTRODUCTION**

1.1 The report sets out the proposed Revenue Budget for 2013/14, a medium term look at service planning and resourcing as well as the proposed Capital Programme for the Fire Authority for 2013/14 to 2017/18. The Fire Authority will consider the associated Council Tax level and precept for 2013/14 at its meeting on 7 February 2013.

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

- (i) Accepting the Council Tax Freeze Grant in 2013/14 – this would involve setting a net budget requirement of £38.932m, a Council Tax requirement of £21.614m and pegging Band D Council Tax at £81.86 i.e. 0% increase on 2012/13; or
- (ii) Rejecting the Council Tax Freeze Grant in 2013/14 and increasing Council Tax by up to 2% - this would involve setting a net budget requirement of up to £39.115m, a Council Tax Requirement of £22.046m.

1.3 The key issue for the Fire Authority for the foreseeable future, and its Medium Term Financial Plan, is to deliver its strategic priorities, including its statutory duties, within the context of continued reductions in the level of funding available, as a result of the coalition Government's national deficit reduction strategy. This will inevitably mean that the Authority will need to take some difficult and challenging decisions in setting a balanced and sustainable budget over the medium term.

1.4 Based on the proposed changes in national funding methodologies, likely continued contractions in public spending and estimates of its own spending commitments the Authority updated its medium term financial plan and modelled a potential funding gap of £7m over the period 2013/14 to 2017/18 with £2.650m of this falling in 2013/14. Potential savings to meet this gap have been identified and reported to Members as part of the Service Planning Process through the Policy & Resources Panel and the Fire Authority in the period since July 2012, primarily through a thorough review of the Authority's committed budget, the 'Facing the Challenge' process and the ongoing development of our collaboration with West Sussex Fire and Rescue Service, initially focussed on the Sussex Control Centre project. These savings proposals have been refined in the light of public consultation and member decisions and are reflected in the attached budget proposals which set out our plans to achieve a balanced budget for 2013/14 and our developing strategy to deliver the additional savings required between 2014/15 and 2017/18.

1.5 However, there are still a number of uncertainties both for funding in 2013/14 and beyond and the Fire Authority will need to remain flexible in its planning approach especially in advance of the next Spending Review which is expected to take place in 2013. Our current assumptions are based on the most up to date information we have available. Given the late announcement of both the Autumn Statement and the Local Government Finance Settlement (LGFS) it is likely that further changes will need to be made before the Fire Authority makes its final decisions in February 2013.

2. **ECONOMIC OUTLOOK**

2.1 Despite initial optimism about a recovery in late 2011, the economy weakened at the start of 2012 and briefly entered a double-dip recession, before recording strong 1% growth in Quarter 3 largely as a result of the Olympics and a recovery from the Quarter 2 Jubilee Bank Holidays.

- 2.2 After the first two quarters, the Bank of England revised downwards its growth forecast for 2012/13 to 0%, and despite the strong Quarter 3 performance, growth is still expected to fall back in Quarter 4. Latest forecasts from the Office for Budget Responsibility (OBR) indicate a 0.1% overall decline for 2012.
- 2.3 The Bank of England's projection for GDP growth over the next three years indicate that the return to sustained growth could still be two years away, although even the best estimates of the path of the economy from the Bank of England, carry a significant amount of variability and uncertainty within them.
- 2.4 Despite the policy of austerity from the Coalition Government designed to address the deficit position, public sector debt continues to grow to record levels. Even in the light of public sector cuts, the national debt stands at over £1tn and under existing Government spending plans, will continue to grow to £1.5tn by 2016.
- 2.5 The on-going policy debates in the light of weakening economy and continuing austerity measures and high levels of sovereign debt, alongside pressure to stimulate growth and revive the economy, continue to add uncertainty on the likely levels of funding for Public Sector services over the next decade.
- 2.6 The Autumn Statement (5 December 2012 and expanded further below) suggests that deficit reduction policies will now need to be in place until at least 2018.
- 2.7 The official bank interest rate remains low at 0.5% and is forecast to remain at this level during 2013 and beyond. Whilst lowering the rate further is unlikely, the Bank of England's programme of Quantitative Easing is still an option for the Bank's Monetary Policy Committee (MPC).
- 2.8 Turning then to inflation, the Consumer Price Index (CPI) for October 2012 (reported in November 2012) was 2.7% and the Retail Price Index (RPI) for the same period stood at 3.2%. The Bank of England's probability projection for CPI inflation over the next three years ranges up to +4%.

3. **NATIONAL FUNDING POSITION**

- 3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from Council Tax and by Government through Business Rates, Revenue Support Grant and other centrally held grants.
- 3.2 Since the 2012/13 budget, was set the Government has consulted on a range of significant changes in the funding arrangements for Local Government through the Local Government Resource Review.
- 3.3 The first phase of this was completed with the introduction of the Local Government Finance Bill in December 2011 which featured amongst other things, consultation on two fundamental changes to Local Government funding:
 - (i) Business Rates Retention
 - (ii) Localisation of Council Tax Support
- 3.4 The stated aim of these schemes was to provide more flexibility at a local level in the way money was spent and more control over how it was collected and grown.
- 3.5 The Chancellor's Autumn Statement on 5th December is later than has been usual practice. The Local Government Finance Settlement (LGFS) was announced on a provisional basis on 19 December 2012 and will not be formally confirmed until after the consultation period closes on 15 January 2013.

- 3.6 Our budget modelling and the medium term financial plan have been updated to reflect the provisional LGFS as currently understood for 2013/14 and 2014/15. For 2015/16 and beyond, we have based our assumptions on various models and announcements from Department of Communities and Local Government (DCLG); the Society of County Treasurers, and Local Government Finance Futures projections. This allows us to take an initial view of the funding position, but it should be noted that the funding position for these latter 3 years of the MTFP will be fundamentally affected by the CSR2013.
- 3.7 The Chancellor's Autumn Statement explained that because of the success of Local Government in delivering on target departmental savings, there was to be no further reduction in expenditure limits in 2013/14. However, the Statement went on to state that for 2014/15 Local Government would be expected to face a further 2% funding reduction in line with other Government departments and this has been reflected in the LGFS.
- 3.8 **Business Rates Retention**
- 3.8.1 Under the current business rates scheme, councils collect Business Rates and then hand them over to the Government in total. All the money is pooled and then distributed back to councils on the basis of a complex funding formula. Under the current scheme authorities do not benefit from any growth in business rate income in their local area with any additional income simply passed on to Central Government.
- 3.8.2 Under the new scheme, the changes being made will allow Authorities to retain a share of up to 50% of any additional business rates they get above a determined baseline, thereby potentially giving them a direct incentive to encourage growth within their boundaries. This change has the potential to build volatility into this key funding stream as authorities are exposed to the risk of a decline in business rate income as well as the potential for growth. Fire Authorities are protected from this to some extent as they will receive 2% of the 50% of business rates retained locally (i.e. 1% of the total) and will receive a 'top up' which will grow by RPI. In addition, the Government has provided for a safety net which limits losses through reductions in business rates income to 7.5%.
- 3.8.3 The actual proposals are complex and have been subject to extensive and lengthy consultation that is only just completing. In writing this report, we have drawn on our latest understanding of the Government's plans as set out in the provisional LGFS but the final impact on funding at a local authority level is unlikely to be confirmed until early in the New Year.
- 3.8.4 One aspect of the new scheme is the ability for councils to pool their business rates resources. In two tier areas, such as East Sussex, pooling may offer the opportunity to increase funding allocations. The reason for this is the levy rate (essentially the amount by which business rate growth is scaled back) is potentially lower on a collective basis than individually.
- 3.8.5 Discussions have taken place with district and borough councils in East Sussex about the viability of pooling business rates. Pending clarity on the overall effect of these proposals, this prospect of pooling for the East Sussex region will be considered later in 2013, for 2014/15.

3.8.6 In developing the Business Rates Retention scheme, there were a number of significant changes to the overall funding totals to Local Government. The first of these was to reduce the overall Spending Control totals for Formula Funding to reflect previously announced decisions such as building in pay restraint reductions and the top slicing of the funding to support the New Homes Bonus scheme. In addition, the Government has decided to roll certain major grants into the overall funding totals, the relevant ones for Fire Authorities being the 2011/12 Council Tax Freeze Grant and the new grant for Council Tax Support.

3.9 **Localisation of Council Tax Support**

3.9.1 At the same time as the business rates reforms, the Government has introduced the localisation of Council Tax support. No longer a national scheme for assessing benefit, with a central grant payment, support now takes the form of a discount, to be assessed by locally designed schemes, although there are limitations prescribed by the Government, in particular, for pensioners and the single person's discount. This has been coupled with a 10% reduction in support from Central Government in order to deliver savings of £490m nationally. Implementation of these proposals particularly given the short timescales has proved challenging but all our local billing authorities have consulted on schemes for final approval by late January. Authorities have aimed to reduce the impact of the 10% grant reduction both through the design of the local schemes and through changes to existing discounts and exemptions.

3.9.2 As the Local Council Tax Support Grant (LCTSG) is fixed local authorities are exposed to the impact of any increased cost of Council Tax Support for example through an increase in the number of claimants. In addition, there is a risk that local schemes may impact on Council Tax Collection rates increasing the risk of a Collection Fund deficit in future years.

3.9.3 The impact of the localisation of Council Tax Support is reflected in a reduction in the local Council Taxbase (as CTS is a discount on Council Tax rather than a benefit) which must be calculated in addition to reflecting any underlying movement. Billing authorities do not have to confirm their tax base assumptions until later in January.

3.9.4 The Government has also announced a transitional grant for 2013/14 to assist in smoothing the introduction of LCTSG amounting to £100m nationally. This is a one off grant and is payable dependant on local schemes meeting set criteria. Subject to the final approval of local schemes we understand that both the Brighton and Hove and East Sussex schemes qualify for the transition grant payment.

3.9.5 Between September 2011 and August 2012, an East Sussex wide review of Single Persons Council Tax Discount was conducted through the East Sussex Finance Officers' Association. The review resulted in a 5.6% removal rate, comparable to that achieved elsewhere in the country, and will increase annual council tax by an estimated £60,000. Planning is underway for future regular reviews to ensure registration for Council Tax discounts and exemptions remains as current as possible.

3.10 **Council Tax Freeze Grant and Referendums**

3.10.1 The Government have announced that they will provide a non-ring-fenced grant equivalent to a 1% increase in Council Tax for local authorities that decide to freeze their Council Tax in 2013/14. Local authorities that increase Council Tax in 2013/14 will not be eligible for the grant.

- 3.10.2 There is a cost to the Authority in accepting this Council Tax Freeze Grant as opposed to adopting an increase in Council Tax, as previously factored into the MTFP model. The cost will be lower for each 1% than in previous years due to the impact of LCTSG on the Council Tax Base.
- 3.10.3 As part of the 2011 Localism Act, Council Tax capping in England has been abolished and has been replaced by new powers for residents to approve or veto excessive Council Tax increases through a local referendum. If the residents vote against the increase, the local authority will have to revert to a Council Tax level that is compliant with the Government's proposed increase.
- 3.10.4 Each year, the Government will give an indication of the level of increase they are minded to propose, with the final announcements being confirmed in January/early February. For 2013/14, a lower threshold of 2% has been confirmed in the LGFS and any increase above this threshold will trigger a referendum under the new powers. The LGFS also set out a provision for shire districts, Police and Crime Commissioners and fire and rescue authorities whose council tax in 2012/13 was in the lower quartile of their category of authority to increase their relevant basic amount of council tax by up to £5 without the need for a referendum. This Authority does not qualify for this provision.
- 3.10.5 Any decision to trigger a referendum would incur a significant cost in actually carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling.

3.11 **Capital Grant**

- 3.11.1 In April 2012, the Fire and Rescue Service Minister Bob Neill announced £70m capital funding in total for England and Wales for 2013/14 and 2014/15, and that it would be allocated based on a combination of:
- an efficiency fund administered as a capital grant via a bidding process, and
 - a pro-rata distribution using current distribution method.
- 3.11.2 The allocation of the capital grant was announced as part of the LGFS with approximately 27% being allocated to specific project bids and the balance on a formula basis.

4. **REVENUE BUDGET**

4.1 **Current Year 2012/13**

- 4.1.1 The Policy & Resources Panel has received regular reports on the projected outturn for 2012/13 and an underspend on the original budget is predicted at outturn that will assist with the difficult financial challenges that lie ahead. The latest position budget position for 2012/13 is summarised in a separate Revenue Budget and Capital Programme Monitoring Report elsewhere on the Agenda and reports a projected revenue budget underspend of £0.731m.
- 4.1.2 Subject to Member agreement, it is intended that any underspends arising at the end of the current year 2012/13 will be returned to Balances to assist the Authority in managing the financial risks that it will face and the changes to the way it delivers its services that will be necessary in the medium term.

4.2 Next Year's Estimate 2013/14

4.2.1 **Impact of national funding changes on local position**

- 4.2.2.1 The Revenue Budget Summary for 2013/14 and the MTFP have been updated to reflect the provisional funding announced in the LGFS and the latest position advised by the billing authorities on Council Tax Base (both of which may be subject to further change during January). The impact of the LGFS for 2013/14 and 2014/15 and a comparison with figures previously modelled and reported to the Fire Authority is set out below in Table 1. In summary, the LGFS has provided additional flexibility against the resources previously modelled of **£0.489m** in 2013/14 and **£0.230m** in 2014/15. In the main, this appears to be due to a lower overall reduction in formula funding in comparison to that advised by CLG for the latter 2 years of the current CSR period and later phasing.

Table 1 – Summary of LGFS	2013/14 £'000	2014/15 £'000
Formula Funding	12,962	
Council Tax Freeze Grant 11/12	617	
Council Tax Support Grant	3,398	
Start Up Funding Assessment	16,977	15,938
Business Rates Baseline	2,231	2,299
Top Up	4,551	4,691
Baseline Funding	6,782	6,990
Revenue Support Grant	10,195	8,948
Total Funding	16,977	15,938
As modelled in previous MTFP	16,488	15,708
Difference	489	230

- 4.2.1.2 Final approval of the local Council Tax Support Schemes consulted on by the billing authorities and also confirmation of recalculated Council Tax Bases is expected during January. Based on the latest information provided the Authority's Council Tax Base adjusted to take account of the impact of LCTSG is calculated as **264,037.20** a reduction of 12.7% on 2012/13 **(302,513.31)**. If the Authority were to accept the 1% Council Tax Freeze Grant and be eligible for the indicative transitional grant then the total income from Council Tax would be **£21.955m** compared to **£21.303m** previously modelled, giving additional flexibility of **£0.652m** for 2013/14. This movement is primarily due to the impact of the billing authorities' proposed local schemes (including changes to discounts and exemptions) and underlying movement in the tax base.
- 4.2.1.3 Latest information indicates that there will be a surplus on the Collection Fund and we are working to assess the scale of this, however, the budget summary currently reflects a break even position. Members should note that any surplus is a one off benefit only. However, for reasons of prudence, the reserves and balances policy reflects the potential increased risk of deficits in future years as a result of the fundamental changes being made through the Local Government Resource Review including the localisation of council tax support.
- 4.2.1.4 The latest resource position is reflected in the Revenue Budget Summary and the MTFP, however, the net movement in resources since the last report to Members is summarised below in Table 2.

Table 2 – Movement in Resources	2013/14 Latest position £'000	2013/14 Previously reported £'000	Increase / (Decrease) £'000
Formula Funding & Retained Business rates	16,977	16,488	489
Council Tax Options			
Option A – Accept Freeze Grant	21,955	21,303	652
Total Resources – Option A	38,932	37,791	1,141
Option B – 2% increase	22,138	21,550	588
Total Resources – Option B	39,115	38,038	1,077

4.2.2 Overview of current budget proposals

4.2.2.1 The agreed Budget Strategy of the Fire Authority is to support the previously determined policy priorities ranked in the following order:

- (i) to fulfil the Fire Authority's statutory duties as a legally separate authority
- (ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability
- (iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate
- (iv) to further develop and implement an Integrated Risk Management approach to our Strategic Plans and services to local communities

4.2.2.2 The agreed SERVICE priorities for the Fire Authority are as follows:

- (i) Percentage of Home Safety Visits provided to vulnerable people should not be less than 65%
- (ii) The number of accidental fires in dwellings should reduce by 10% over five years from 2011/12
- (iii) Ensuring accidental dwelling fires are confined to the room they started in on 94% of occasions over the five-year period 2011/12 to 2015/16
- (iv) Expenditure per head of the population should not exceed original budget
- (v) Containing the number of working days/shifts lost due to sickness absence for all staff.

4.2.2.3 This year's Revenue Budget processes have been applied robustly in line with the Fire Authority's previously agreed position. The nationally prescribed requirements of the IRMP processes, including consultation arrangements have required the Fire Authority to dovetail these processes together into the wider service planning and resource management timetable. A three-year Community Risk Management Plan (IRMP) for 2009/10 to 2011/12 was approved in 2009/10 and complementary consultation and engagement plans continue on the review areas detailed in the plan. This Plan culminated in the outcomes of the Rural Review and the Hastings Review and the medium term plan was rolled forward. This year, a new Medium Term Plan including Integrated Risk Management proposals for the period 2013/14 to 2017/18 has been the subject of external consultation, the outcomes of which are contained in a report elsewhere on the agenda.

4.2.2.4 This year's corporate Service Planning and Budget setting processes have ensured both Community Risk Management and other expenditure issues are dealt with effectively according to the following decision making process:

- The Fire Authority considered strategic service planning issues at seminars in November 2012.
- The Policy & Resources Panel considered the latest Medium Term Service Planning Arrangements and the latest roll forward of the draft Medium Term financial plan to support the service planning processes and implications of accepting a possible Council Tax freeze grant in 2013/14 at its meeting in November 2012. They were advised of the complexities this year when considering the Medium Term Service Plan as arrangements were becoming increasingly interconnected with the requirements for the joint Sussex Control Centre Project with WSFRS and the implications of any possible further collaborative projects. Other factors also included the Local Government Resource Review, Council Tax referendum proposals, Public Sector Pension Reviews, high inflation, economic frailty and grant implications.
- One of the most significant issues for this budget cycle will be the need to achieve the Facing the Challenge savings list approved by the Fire Authority in December 2012. This is required so that all of the proposed savings need to be achieved by 2013/14 to meet our funding constraints, or alternative savings found to compensate for those not approved.
- These processes will enable the Fire Authority, at its meeting on 7 February 2013, to determine the final balance of available resources to meet service policy priorities, approve other related decisions and set the level of precept for 2013/14 (see Paragraph 4.2.2.5 below concerning Council Tax Freeze Grant).

4.2.2.5 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to establish an effective level of Reserves & Balances. For 2013/14, the Government is once again offering a Council Tax Freeze Grant to compensate for a loss of council tax income, equivalent to an increase of 1% (2012/13 equivalent to an increase of 3%) if accepted by local authorities. However, this Grant is for 2013/14 and 2014/15 only. Should any local authorities decide to increase council tax and reject the offer of freeze grant, they will only be able to increase council tax by 2% before triggering a referendum. The consultation outcomes on the Medium Term Plan give a clear indication that our public consultees understood the medium term benefit of rejecting the Council Tax Freeze Grant and supported the latter option. However, if the Fire Authority still consider it appropriate to accept the Council Tax Freeze Grant (to peg council tax at £81.86 for the fourth year running rather than increase it by up to £1.84 per year for a Band D council taxpayer), then additional savings would need to be made on its removal in 2015/16.

4.2.2.6 The 2013/14 Revenue Budget has been prepared against this backdrop of financial constraint. Although both the provisional settlement for 2013/14 (and to a lesser extent 2014/15) is better than expected, and the latest information from billing authorities indicates an improved expectation on the recovery of previously expected losses as a result of the localisation of Council Tax Support, we are still operating within the context of the Government's National Deficit Reduction Strategy and the expectation of further reductions in public sector funding through CSR2013. For this reason, the Authority must take decisions on the 2013/14 budget in the knowledge that significant further savings will need to be found in future years. The budget has therefore been shaped to provide capacity to support the service strategy for the future through the developing Facing the Challenge programme, both in terms of efficiency and improvement. The additional resources available to the Authority in 2013/14 as a result of the better than anticipated outcomes from both the LGFS and changes in council tax means that the Authority could set a balanced budget of **£38.932m** in 2013/14 assuming that it decided to accept the Council Tax Freeze Grant, without the need to make compensatory savings following the decision not to proceed with the Hastings Review proposals and the re-phasing of the proposed ICS savings. It also allows an additional contribution of **£0.300m** to the Improvement and Efficiency Reserve on a one off basis, as well as maintaining the current £1.000m contribution to support the Capital Programme (through the Capital Programme Reserve) and £0.200m to the General Reserves. In addition, savings totalling **£0.352m** identified to bridge the previously reported savings gap can now be taken in 2014/15. If the Authority were to reject the Council Tax Freeze Grant and increase council tax to the referendum threshold, this would provide additional funding of up to **£0.183m** in 2013/14. Further details of the proposed draft revenue budget and capital programme are set out from paragraph 4.2.5 onwards.

4.2.3 **Medium Term Financial Plan**

4.2.3.1 The Medium Term Financial Plan (Appendix C) reflects the impact of the provisional LGFS for 2013/14 and 2014/15 and the latest information on council tax in the light of localisation. For the period from 2015/16 funding will be significantly affected by CSR2013 and by the medium term trends in business rates and Council Tax. The MTFP reflects our initial modelling of these factors but will need to be revisited as further information becomes available. The MTFP now forecasts a net expenditure reduction of 1.44% to 2014/15, and subsequent increases of **0.38%** to 2015/16, **1.79%** to 2016/17 and **1.62%** to 2017/18 (see Appendix C, second page). This takes account of future provisions for increases in pay and prices, agreed savings from Service Prioritisation and Facing the Challenge, the factors described in paragraph 4.2.2.6 and it indicates the shortfall that will be required to be met from further savings to ensure that expenditure matches available grant, business rates income and council tax income. This future savings target will also be dependent on decisions that the Authority takes with regard to Council Tax increases, but in summary, it indicates a requirement to make further savings of up to **£2.017m** by 2017/18.

4.2.4 Consultations

4.2.4.1 After being provided with the key background information on the options for accepting or rejecting council tax freeze grant, the relevant summary outcomes from the independently managed (ORS) and statistically democratically representative public telephone survey of local residents concluded the following:

- More than four fifths (83%) of residents agreed that the current council tax charge (£81.86 per year for a Band D property) for the Fire and Rescue Service provides good value for money; 3% disagreed.
- Two fifths (40%) of residents thought that the Service should accept the Government's freeze grant offer and not increase its Council Tax in 2013/14, knowing that cuts would have to be made in 2015/16 and beyond to compensate for the loss of grant; 60% thought that the Service should not accept the Government's freeze grant offer.
- But, when asked to consider the longer term impacts on budgets, more than 9 in 10 (92%) **residents** thought that the Service should reject the Government's offer, and still increase Council Tax so that it helps to fund fire and services in future years when the grant ceases; 8% thought that the Service should not reject the offer.
- Just over two fifths (42%) of residents **who are council tax bill payers** said that they would support an increase of **approximately 81p** or less per year per household.
- However, when asked if they would still support a higher increase, almost three fifths (58%) of residents **who are council tax bill payers** said that they would support an increase of **approximately £1.60** or less per year per household.

A similar picture emerged with the 3 recent public focus groups held across our local area (see related consultation report)

4.2.4.2 Staff consultations and formal consultations with representative bodies including the Fire Brigades' Union, the Fire Officers' Association, the Retained Firefighters' Union and UNISON about the 2013/14 Revenue Budget are under way.

4.2.5 Basis of Committed Estimates

4.2.5.1 2013/14 committed estimates have been prepared on the following basis:

- To reflect the current level of service provision.
- To update for the situation regarding pay awards. An award was made to firefighters of 1% in July 2012, no awards were made for other staff and, following the announcement in the Chancellor's Autumn Statement, provision for pay award has been restricted to 1% in 2013/14 and 2% thereafter.
- To update other costs to take account of inflation to estimated 2013/14 outturn prices at 2.5%.
- To include net inescapable commitments flowing from such issues as the approved 2013/14 capital programme, the full year effects of previous decisions, less any savings from one-off items dropping out.
- To include a contribution of **£1.500m** to Balances as previously described in paragraph 4.2.2.6.

4.2.6 Fees and Charges

- 4.2.6.1 The existing policy is for fees and charges to be reviewed not less than once a year and that increases should take into account the cost of providing the service, including the effects of inflation.
- 4.2.6.2 Appendix B gives details of increases in fees and charges for Fire & Rescue Service activities, which are proposed for consideration by the Fire Authority at its meeting on 7 February 2013. The draft estimates assume that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect the 1% pay award and the overall high levels of inflation generally, it is proposed to increase fees and charges by 2.5% in 2013/14.
- 4.2.6.3 The Government are considering ways by which FRAs can introduce other fees and charges subject to local consultation and this includes being able to charge for false alarm calls from persistent offenders and proposals, CFOA are leading a detailed review of applying those charges on a national basis and details will be brought before the Fire Authority once the direction is known.
- 4.2.6.4 Again the consultation results from the recent Medium Term telephone survey reinforce previous survey outcomes where there is local public support for raising income from fees and charges:
- Just under three quarters (74%) of residents agreed that the Fire and Rescue Service should increase its income on some services to reinvest into the community; 11% disagreed.
 - Almost three quarters (73%) of residents agreed that if it is made possible by a change in the law, the Fire and Rescue Service should charge for false alarm calls from **domestic properties**; 18% disagreed.
 - Just over three quarters (76%) of residents agreed that if it is made possible by a change in the law, the Fire and Rescue Service should charge for false alarm calls from **local businesses**; 17% disagreed.
 - Around two thirds (67%) of residents agreed that if it is made possible by a change in the law, the Fire and Rescue Service should charge for false alarm calls from **local public sector organisations**; 23% disagreed.

4.2.7 Summary of Committed Estimates

- 4.2.7.1 The Summary in Table 3 below outlines the Authority's committed expenditure position. Further details are given in **paragraph 4.2.8** below and staff numbers are set out in Appendix A.

Table 3 - Summary of Committed Estimates	£000	Change %
ORIGINAL ESTIMATE 2012/13	40,030	
Add Pay increases to 2013/14 outturn	262	0.65
Price increases to 2013/14 outturn	250	0.63
Commitments – see Table 4 below	(1,610)	(4.02)
TOTAL COMMITTED ESTIMATE 2013/14	38,932	(2.74)

4.2.8 Principal Variations

4.2.8.1 The main changes in commitments leading to increased provision are shown in Table 4 below:

Table 4 – Committed Estimates 2013/14 - Main Changes	£'000
Increased Provision/Spending	
Contribution to Improvement and Efficiency Reserve (13/14 only)	300
Increase in Business Rates	62
Cost of Capital Programme	18
Ill Health Retirements budget provision	20
Sub-total	400
Less Reduced Provision/Savings	
Facing the Challenge	(1,325)
Reduction in Transition budget	(90)
Operational leases vehicles bought out	(221)
Reduction in Fleet Asset Strategy	(114)
Firefighter pensions dropping out	(100)
Full year effect Firewatch/Fire Safety systems	(84)
Operations Improvement Team Reduction	(50)
Community Safety reduction, reinstated in 2014/15	(26)
Sub-total	(2,010)
TOTAL NET CHANGES IN COMMITMENTS (included in Table 3 above)	(1,610)

4.2.8.2 In order to meet the challenge of setting a balanced Revenue Budget for 2013/14, the Fire Authority at its meeting in 13 December 2013 approved a set of Facing the Challenge savings to be implemented in 2013/14 and 2014/15.

4.2.8.3 Those savings are summarised in the Table 5 below and have now been included in the Revenue Budget. The main changes from the savings previously reported reflect the Authority's decision not to proceed with the Hastings Review proposal (£0.322m) and changes to the savings expected from the ICS Review (previously £0.375m).

Table 5 – Facing the Challenge Savings	2013/14 Savings Approved £'000	2014/15 Cumulative £'000
Compulsory Redundancy (CR) and Voluntary Redundancy (VR) replacing affected CR posts	475	682
Additional VRs creating savings, posts lost	110	110
Additional VRs creating opportunities for redeployment	-	-
Other Staffing reductions not affected by VR & CR	312	386
ICS Review	271	339
Total Staffing	1,168	1,517
Total Non-staffing	157	227
TOTAL SAVINGS	1,325	1,744

4.2.9 Revenue Budget Summary

4.2.9.1 Table 6 below summarises the 2013/14 committed budget compared with the base budget for 2012/13 and the previous years' outturn

2011/12	Table 6 - Revenue Budget Summary	2012/13	2013/14	2013/14
Actual		Original Estimate	Forward Estimate - Committed	Forward Estimate with Facing the Challenge
£'000		£'000	£'000	£'000
	OPERATIONAL BUDGET			
25,952	Employees	26,029	26,265	25,150
2,984	Fire Service Pensions	3,200	3,112	3,018
1,968	Premises	2,093	2,257	2,257
1,307	Transport	1,396	1,210	1,159
4,514	Supplies and Services	6,034	5,652	5,302
505	Support Services	527	540	525
2,313	Capital Charges	2,428	2,521	2,521
39,543	Gross Expenditure	41,707	41,557	39,932
(847)	Less Income	(1,283)	(831)	(831)
38,696	TOTAL OPERATIONAL BUDGET	40,424	40,726	39,101
	FINANCIAL PROVISIONS			
(2,313)	Capital Charges credit	(2,428)	(2,521)	(2,521)
856	Interest receivable less capital financing	834	852	852
37,239	TOTAL NET EXPENDITURE	38,830	39,057	37,432
1,964	Movement in balances	1,200	1,200	1,500
39,203	NET BUDGET REQUIREMENT	40,030	40,257	38,932
	CONTRIBUTIONS AND PRECEPTS			
(13,835)	Revenue Support Grant	(13,885)	(16,977)	(16,977)
0	Business Rates Retention	0		
0	Returned Top Slices	0		
(13,835)	TOTAL	(13,885)	(16,977)	(16,977)

2011/12	Table 6 - Revenue Budget Summary (cont)	2012/13	2013/14	2013/14
Actual		Original Estimate	Forward Estimate - Committed	Forward Estimate with Facing the Challenge
£'000		£'000	£'000	£'000
(617)	Council Tax Freeze Grant (11/12)	(617)		0
	Council Tax Freeze Grant (12/13)	(743)		0
	Council Tax Freeze Grant (13/14)			(249)
(77)	Council Tax Support Grant Transitional	(21)		(92)
(24,674)	Collection Fund Surplus/(Deficit)			0
	Council Tax Requirement	(24,764)		(21,614)
(25,368)	TOTAL COUNCIL TAX INCOME	(26,145)		(21,955)
(39,203)	TOTAL CONTRIBUTIONS AND PRECEPTS	(40,030)		(38,932)
	Surplus			0
	Option B – reject Council Tax Freeze Grant and set Council Tax increase of 2%			
(617)	Council Tax Freeze Grant (11/12)	(617)		0
	Council Tax Freeze Grant (12/13)	(743)		0
	Council Tax Support Grant Transitional			(92)
(77)	Collection Fund Surplus/(Deficit)	(21)		0
(24,674)	Council Tax Requirement	(24,764)		(22,046)
(25,368)	TOTAL COUNCIL TAX INCOME	(26,145)		(22,138)
(39,203)	TOTAL CONTRIBUTIONS AND PRECEPTS	(40,030)		(39,115)
	Surplus			183

4.2.9.2 Table 6 above presents the Revenue Budget decreasing by 2.7% with commitments and Facing the Challenge savings should Members choose to accept the Council Tax Freeze Grant of 1% for 2013/14 (option A). Option B shows the position should Members choose to reject the Council Tax Freeze Grant and set a Council Tax increase up to the maximum allowed without a referendum i.e. 2%. Under Option B this would provide up to an additional £0.183m funding to support the budget. The Sussex Control Implementation implications reflect the net nil effect of DCLG Funding (see Paragraph 4.2.11 below).

4.2.10 2013/14 Revenue Budget Investment Proposals

4.2.10.1 Given the challenging medium term financial position, all service investment proposals were required to be funded by compensatory savings elsewhere in the budget. Consequently, there are no additional revenue budget service investment proposals submitted for Member consideration this year apart from the Capital Programme investment proposals.

4.2.10.2 Further background on matching resources to strategic objectives is provided in Appendix D.

4.2.11 Sussex Control Centre Implementation

4.2.11.1 The Sussex Control Centre project has now achieved all of its approvals and is now moving into the implementation stages, with substantial financial support from a DCLG grant. The costs are identified below in Table 7. The Project has not progressed as quickly as originally predicted so the phasing of the funding has been adjusted. The expenditure is met from grant and although there is a net nil effect on the net budget, the relevant budget headings show the budgeted expenditure and expected grant income. There are no time restrictions on the grant so expenditure plans can slip without losing the funding.

Table 7 - East and West Sussex Fire & Rescue Services Joint Control Implementation Funding	CAPITAL one off Joint ESFRS/ WSFRS investment £m	REVENUE one off Joint ESFRS/WSFRS investment £m
Control Equipment – Mobs, ICCS, Data, Furniture, Decommissioning	0.720	0.407
Communications Links – Buddy FRS, data links, Communication interfaces (excluding SAN H)	0.150	0.210
Radio – Airwave Interface, Airwave data (equipment & integration)	0.211	0.217
Station End Equipment & MDTs	0.840	0.070
Personnel – Project and Implementation team	0.000	0.475
Restructuring costs	0.000	0.300
Sub totals	1.921	1.679
Total (£m)		3.600
Percentage of Total	53%	47%
Share attributable to ESFRS out of total	1.120	0.839
Phasing 2012/13	0.280	0.084
Phasing 2013/14	0.840	0.755

4.2.11.2 There are costs associated with the Project that cannot be met from the Grant. Either because they are costs associated with property, for which DCLG was not prepared to fund, or they are additional to those originally identified. These costs are shared between the Authority and West Sussex Fire & Rescue on a 50/50 basis. A provision of £0.666m has been included in the Capital Programme for adaptation works for the Sussex Control Centre. Revenue costs of circa £132,000 have been incurred, and are to be shared equally, the main items being Principal Officer Support, actuarial work on pensions issues and professional ICT advice. The Authority's share has been met from the transition budget.

5. **CAPITAL PROGRAMME**

5.1 **Capital Programme 2013/14 to 2017/18 (base year 2012/13)**

- 5.1.1 Commenced in 2005/06, the Prudential Code for Capital Finance in Local Authorities replaced the former capital funding regime. This approach provides all local authorities, including the fire and rescue authorities, with greater flexibility in determining its major capital investment plans with the emphasis on determining whether the investment is affordable in revenue budget terms.
- 5.1.2 The Medium Term Capital Strategy has been developed to ensure that the Authority meets the statutory duties imposed by the Fire and Rescue Services Act 2004 and other relevant Acts, and maintains its current level of service provision to the community of East Sussex and the City of Brighton & Hove over the longer term.
- 5.1.3 This latest Strategy details the desirable Capital Programme for the Authority from 2013/14 to 2017/18 with a base year of 2012/13. The primary constituents of the Strategy are:
- Construction, replacement and improvement of the Authority's property assets
 - Appliance and other fleet replacement requirements
 - Operational equipment provision
 - Information Management Strategy implications, where required
- 5.1.4 The key strategic issue to note in relation to the draft 2013/14 Capital Programme is a continued scaling down of capital schemes over the medium term to those that are essential for business continuity purposes yielding a significant reduction in budget implications over the medium term.
- 5.1.5 An overall summary of the draft Capital Programme is set out in Table 13 below. This shows schemes in progress at 1 April 2012, schemes starting in 2012/13, and those planned to start in 2013/14 and each year thereafter. In overall terms, the total borrowing requirement to fund the approved Capital Programme has marginally increased from £2.940m (up to 2016/17) in the 2012/13 Capital Programme to £2.955m over the same timeframe. The Authority's Treasury Strategy is to utilise internal cash balances to fund "internal borrowing". This allows compliance with the Capital Regulations and takes advantage of current cash surplus that would otherwise be returning poor yield on its investment. The continuation of this policy will be considered as part of the review of the Treasury Management Strategy early in February 2013. The Capital Programme and subsequent borrowing requirements are reviewed constantly. The funding assumptions include the expected capital receipts from the sale of Service Housing of £5.602m and Authority will receive £0.931m of Fire Capital Grant for 2013/14 and the same for 2014/15 but, despite lobbying, it is presumed that no grant is received beyond that date.

5.1.6 Capital Grant

5.1.6.1 Bidding for the new Capital Grant process closed on 2 July 2012 and ESFRS submitted a collaborative bid with key strategic partners for an expansion of the Service Training Centre site at Maresfield. The bid was for building costs of £3.010m. The possible land acquisitions which may be required have been included within other Capital Programme line items in this Strategy. Unfortunately this bid has proved unsuccessful and the scheme has been removed from the draft capital programme pending an early mid-term review in 2013/14 which will consider our capital priorities against available resources and the role that the capital programme can play in supporting the delivery of the Facing the Challenge programme and the medium term savings agenda.

5.1.6.2 However, the Authority has however received notification of a better than expected allocation of general capital grant amounting to £0.931m in 2013/14 and another £0.931m in 2014/15. This compares to £1.203m received in 2012/13 and £0.301m initially modelled for both 2013/14 and 2014/15.

5.2 Details of the Medium Term Capital Asset Strategy over the 5 year period are shown in the following Tables:

5.2.1 Schemes starting in 2013/14

Table 8 Schemes Starting in 2013/14	Total Gross Capital Cost
	£000
Engineering Services	
Replacement of 2 appliances	480
Replacement cars and vans	210
BA Compressors	110
New Breathing Apparatus POD	140
	940
Property Strategy	
General strategy schemes	140
Newhaven Fire Station (gross build cost for ESFRS)	3,070
	3,210
TOTAL SCHEMES PROPOSED TO START IN 2013/14	4,150

5.2.2 Schemes Starting in 2014/15

Table 9 Schemes Starting in 2014/15	Total Gross Capital Cost
	£000
Engineering Services	
Replacement of 1 Appliance (due to introduction of Aerial Rescue Pump (ARP) at Eastbourne)	240
Replacement of Ancillary vehicles	20
Replacement of cars and vans	250
	510
Property Strategy	
General strategy schemes	190
	190
TOTAL SCHEMES PROPOSED TO START IN 2014/15	700

5.2.3 Schemes Starting in 2015/16

Table 10 Schemes Starting in 2015/16	Total Gross Capital Cost
	£000
Engineering Services	
Replacement of 2 Appliances	480
Replacement of Ancillary vehicles	30
Replacement of cars and vans	250
	760
Property Strategy	
General strategy schemes	160
	160
TOTAL SCHEMES PROPOSED TO START IN 2015/16	920

5.2.4 Schemes Starting in 2016/17

Table 11 Schemes Starting in 2016/17	Total Gross Capital Cost
	£000
Engineering Services	
Replacement of 3 Appliances	720
Replacement of ancillary vehicles	400
Replacement of cars and vans	220
	1,340
Property Strategy	
General strategy schemes	680
	680
TOTAL SCHEMES PROPOSED TO START IN 2016/17	2,020

5.2.5 Schemes Starting in 2017/18

Table 12 Schemes Starting in 2017/18	Total Gross Capital Cost
	£000
Engineering Services	
Replacement of 3 Appliances	720
Replacement of ancillary vehicles	140
Replacement of cars and vans	190
	1,050
Property Strategy	
General strategy schemes	20
	20
TOTAL SCHEMES PROPOSED TO START IN 2017/18	1,070

5.3 **Capital Programme Schedule and Funding**

5.3.1 Capital Programme Schedule Table 13 below lists individual schemes and summarises the capital payments flowing from each year's programme.

TABLE 13 CAPITAL PROGRAMME ESTIMATED PAYMENTS 2011/12 TO 2017/18									
Ref	Project	Estimated Capital Payments							
		Total cost	To	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
		£,000	31/3/2012	£,000	£,000	£,000	£,000	£,000	£,000
1	Schemes completed in 2012/13	517	517						
	Schemes in Progress 1 April 2012								
2	Aerial Rescue Pump	769	105	332	332				
3	Wadhurst Drill Tower	179	179						
4	Crowborough Refurbishment	1,019	12	496	511				
5	Heathfield EA	112	6	106					
6	Bexhill & Lewes Refurbishment	713	693	20					
		2,792	995	954	843	0	0	0	0
	Scheme Starts 2012/13								
7	Replacement cars and vans	23		23					
8	Purchase of land for Service requirements	715		715					
9	BA Classroom	220		160	60				
10	Property Strategy	656		41	190	160	160	105	
11	IMD Strategy – SCCP	1,120		280	840				
12	Vehicle lease buy-out	650		650					
13	Sussex Control facility	666			666				
		4,050		1,869	1,756	160	160	105	0
	Scheme Starts 2013/14 (Table 8)								
14	Fleet Requirements	940			940				
15	Property Strategy	140			140				
16	Newhaven	3,070			1,020	2,050			
17	Unsuccessful Service Training Centre bid ¹	0			0	0	0		
		4,150			2,100	2,050	0	0	0
	Scheme Starts 2014/15 (Table 9)								
18	Fleet Requirements	510				510			
19	Property Strategy	190				190			
		700				700	0	0	0

¹ An amended scheme will now be prepared for early consideration in 2013/14

TABLE 13 cont. CAPITAL PROGRAMME ESTIMATED PAYMENTS 2011/12 TO 2017/18 (cont)									
Ref	Project	Total cost £,000	To 31/3/2012 £,000	Estimated Capital Payments					
				2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000
	Scheme Starts 2015/16 (Table 10)								
20	Fleet Requirements	760					760		
21	Property Strategy	160					160		
		920					920	0	0
	Scheme Starts 2016/17 (Table 11)								
22	Fleet Requirements	1,340						1,340	
23	Property Strategy	680						430	250
		2,020						1,770	250
	Scheme Starts 2017/18 (Table 12)								
24	Fleet Requirements	1,050							1,050
25	Property Strategy	20							20
		1,070							1,070
26	TOTAL GROSS COST	16,219	1,512	2,823	4,699	2,910	1,080	1,875	1,320
27	Less Identified Funding (line 40 Table 14)	12,389	1,203	2,149	3,906	2,465	785	1,436	445
28	NET TOTAL from Borrowing (line 41 Table 14)	3,830	309	674	793	445	295	439	875
29	FORECAST LAST YEAR FOR BORROWING FOR COMPARISON	2,940	361	955	445	445	295	439	n/a

5.3.2 There are a number of funding sources for the Capital Programme and the expected levels of resources available together with how they will be applied, in accordance with the Funding Strategy, are detailed in Table 14 below:

TABLE 14 ESTIMATED CAPITAL RESOURCES AND BORROWING 2012/13 TO 2017/18									
Ref	Project	Estimated Capital Resources							
		Total resource	To 31/3/2012	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FORECAST CAPITAL INCOME									
30	Sussex Control Grant	1,120	0	280	840	0	0	0	0
31	DCLG bid funding	0			0	0	0	0	0
32	Capital Grants	4,268	1,203	1,203	931	931	0	0	0
33	Capital Receipts	6,002	1,002	400	400	1,800	2,400	0	0
34	Contribution to Capital Programme Reserve	6,000	0	1,000	1,000	1,000	1,000	1,000	1,000
35	Total forecasted capital income	17,390	2,205	2,883	3,171	3,731	3,400	1,000	1,000
APPLICATION OF CAPITAL RESOURCES									
36	Cont. from cap. Rec. res.	6,335	0	0	2,135	1,534	785	1,436	445
37	Fire Capital grant	5,388	1,203	1,483	1,771	931	0	0	0
38	Sub total	11,723	1,203	1,483	3,906	2,465	785	1,436	445
39	Contribution from Capital Programme Reserve	666	0	666	0	0	0	0	0
40	Total of other identified funding sources	12,389	1,203	2,149	3,906	2,465	785	1,436	445
41	REQUIRED BORROWING (included already borrowed)	3,830	309	674	793	445	295	439	875
(To be assessed to accord with Prudential Guidelines + Govt Supported Cap. Exp. Allocation)									
42	TOTAL GROSS COST	16,219	1,512	2,823	4,699	2,910	1,080	1,875	1,320

5.3.3 Capital investment is funded in the following order: capital grants received, capital receipts, contribution from Capital Programme Reserve and finally borrowing. Line 36 shows Capital Receipts of £6.335m used to fund the Strategy. This is made up of an opening balance of £0.7m, receipts generated during the Strategy period of £6.002m (line 33) leaving a balance of £0.367m at the end of the Strategy period. Line 39 shows a contribution of £0.666m from the Capital Programme Reserve used to fund the Strategy. This is made up of an opening balance of £1.152m, revenue contributions to the Reserve of £6.0m during the period of the Strategy (line 34) which leaves a balance in the Reserve of £6.486m at the end of the Strategy period for future investment requirements.

6. **RESERVES & BALANCES**

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

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

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

6.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The annual review of the robustness of reserves and balances is set out in Appendix F and summarised in Table 15 below.

TABLE 15 – SUMMARY OF RESERVES AND BALANCES						
	31/03/2012 Balance £'000	2012/13 Movements £'000	31/03/2013 Balance £'000	2013/14 Movements £'000	31/03/2014 Balance £'000	
Capital Programme Reserve	1,152	334	1,486	1,000	2,486	
Other Earmarked Reserves	2,365	522	2,887	(760)	2,127	
Total Earmarked Reserves	3,517	856	4,373	240	4,613	
General Reserve	4,093	(1,043)	3,050	200	3,250	
Capital Receipts Reserve	1,702	400	2,102	(1,735)	367	
Total Useable Reserves	9,312	213	9,525	(1,295)	8,230	

7. **MEDIUM TERM FINANCIAL PLAN**

7.1 Tables 16 and 17 below illustrate some options Members may wish to consider when setting the precept for 2013/14 and the strategy for future years. Fundamentally the two options for Members are to either accept the 1% Council Tax Freeze grant and then increase council tax at the current trigger point of 2% in subsequent years or to reject the 1% freeze Grant and increase council tax by up to 2% for next year and subsequent years. The options are not exclusive, but will inform Members of likely scenarios.

Table 16

Line No	As it is Accept Freeze grant 1% on offer 2013/14 and 2014/15 then assuming 2% increases are allowed in future years	2013/14	2014/15	2015/16	2016/17	2017/18
		£m	£m	£m	£m	£m
1	Current Net Budget Requirement as per Appendix A	38.932	38.372	38.520	39.212	39.848
	Government Grant funding	(16.977)	(15.938)	(15.373)	(14.884)	(14.435)
	Council Tax Freeze Grant	(0.249)	(0.249)	0.000	0.000	0.000
	Council Tax Support Grant Transitional	(0.092)	0.000	0.000	0.000	0.000
	Council Tax	(21.614)	(22.046)	(22.487)	(22.937)	(23.396)
4	Total Funding	(38.932)	(38.233)	(37.860)	(37.821)	(37.831)
7	FUNDING Gap before savings and Council Tax Options	0	0.139	0.660	1.391	2.017

Table 17

Line No	Reject CT Freeze grant and apply 2% council tax increase from 2013/14 onwards	2013/14	2014/15	2015/16	2016/17	2017/18
		£m	£m	£m	£m	£m
1	Current Net Budget Requirement as per Appendix A	38.932	38.372	38.520	39.212	39.848
	Government Grant funding	(16.977)	(15.938)	(15.373)	(14.884)	(14.435)
	Council Tax Freeze Grant	0.000	0.000	0.000	0.000	0.000
	Council Tax Support Grant Transitional	(0.092)	0.000	0.000	0.000	0.000
	Council Tax	(22.046)	(22.487)	(22.937)	(23.396)	(23.864)
4	Total Funding	(39.115)	(38.425)	(38.310)	(38.280)	(38.299)
7	FUNDING Gap before savings and Council Tax Options	(0.183)	0.053	0.210	0.932	1.549

8. **RECOMMENDATIONS**

- 8.1 The Fire Authority, at its meeting on 17 January 2013, is RECOMMENDED to:
- (i) Note the projected expenditure for 2012/13 (Section 2.1).
 - (ii) Note the continued Revenue Budget consultations taking place (Section 2.2.3).
 - (iii) Approve the committed budget for 2013/14 of **£38.932m** including provision for pay awards of 1% in 2013/14, price increases of typically 2.5% and net inescapable commitments (Sections 4.2.5, 4.2.7 and 4.2.8).
 - (iv) Approve the fees and charges as set out in section 4.2.6 and in Appendix B.
 - (v) Note the absence of Service Investment proposals in the 2013/14 Revenue Budget and reasons for their absence as highlighted in Section 4.2.10.
 - (vi) Approve the amended Capital Programme for 2012/13 totalling **£4.050m** and the Capital Programme for 2013/14 totalling **£4.150m**, as set out in Section 5 and note that there are no related revenue consequences.
 - (vii) Approve the Reserves and Balances Policy set out in Appendix F and the proposed level of reserves summarised in Table 15.
 - (viii) Defer determining whether or not to accept the Council Tax Freeze Grant until the February 2013 precept setting meeting as detailed budget and resourcing information still needs to be confirmed (covered in Section 7 and Tables 16 and 17.)
 - (ix) Note that the format of the Fire Authority's council tax information will be finalised after the decisions made at the Fire Authority meeting on 7 February 2013.
 - (x) Note that the detailed recommendations for setting the precept will be included in the final Revenue Budget report to be presented to the Fire Authority at its 7 February 2013 meeting, using the Local Government Finance Settlement and final tax base figures yet to be published.

Des Prichard
CHIEF FIRE OFFICER AND CHIEF EXECUTIVE

4 January 2013

Duncan Savage
TREASURER

EAST SUSSEX FIRE AUTHORITY

ESTIMATED STAFF NUMBERS

The control of staff numbers is based primarily on the cash estimate included in the Authority's budget. Past fire service reforms abandoned the former establishment scheme leaving staffing a matter for individual fire authorities. The following table gives an indication of the full-time equivalent numbers of staff likely to be involved in providing the services of the Authority:

2011/12		2012/13 Establish- ment	2012/13 Estimate (Strength)	2013/14 Establish- ment	2013/14 Estimate (Strength)
	<u>Operational Staff</u>				
417	Wholetime Firefighters	421	404	412	412
243	Firefighters conditioned to the retained duty system (24 hour availability, financial provision))	242	242	242	242
660	Total Operational staff	663	646	654	654
28	Mobilising & Communications Staff	26	28	25	25
	<u>Support Staff</u>				
168	CFS non-operational/ LGS staff	167	159	151	151
856	Total Staffing (Full Time Equivalent)	856	833	830	830

EAST SUSSEX FIRE AUTHORITY
SPECIAL SERVICES SCALE OF FEES
 WITH EFFECT FROM 1 APRIL 2013

	Existing Fees 2012/13 £	Increase fees by 2013/14 £
1 The hiring of a major pumping appliance with crew per hour	258.00	265.00
2 The hiring of other pumping vehicles with crew per hour	206.00	212.00
3 The hire of hydraulic platforms or turntable ladders with crew per hour	278.00	285.00
4 Lock Outs (where no person trapped and no rescue effected) up to maximum of one hour	199.00	204.00
5 Dry Riser: Subsequent test at the owner's request		
First Dry Riser	191.00	196.00
Additional Dry Risers	123.00	127.00
6 Interviews: *		
Insurance Co Etc	123.00	127.00
After two hours	80.00	82.00
7 Copy of Petroleum Licences *	29.00	30.00
8 Copy plans *	34.00	35.00
9 Standby at Venue	258.00	265.00
10 Fire Investigation Report	277.00	284.00
11 Chemical Protection Suit	143.00	147.00
12 Inspection of Plans for Marriage Act 1994 *	105.00	108.00

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

REVENUE BUDGET PROJECTION ON A SCHEME BY SCHEME BASIS IN PRIORITY ORDER

	IMPACT UPON 2013/14 REVENUE BUDGET			FUTURE YEARS' IMPACTS			
	2013/14	Cumulative cost	Cumulative increase on 2012/13 committed budget of £40.030m	2014/15	2015/16	2016/17	2017/18
COMMITTED BASE REVENUE BUDGET	£m	£m	%	£m	£m	£m	£m
Original 2012/13 Committed Budget base was £40.030m including inflation, commitments + contribution to balances of £1.2m.	40.257	40.257		39.216	38.593	39.257	39.848
NON-CAPITAL SERVICE INVESTMENT PROPOSALS	0	0		0	0	0	0
CAPITAL PROGRAMME REVENUE IMPLICATIONS							
Revenue Costs of DRAFT 2013/14 Capital Programme	0.000	40.257	0.57	0.000	0.000	0.000	0.000
Revenue costs of DRAFT 5 Year Capital Programme				0.000	0.000	0.000	0.000
NET CAPITAL PROGRAMME REVENUE COST	0.000	40.257	0.57	0.000	0.000	0.000	0.000
TOTAL REVENUE BUDGET PROJECTIONS BASED UPON 2013/14 INVESTMENT PROPOSALS BEFORE SAVINGS REVIEW	40.257	40.257	0.57	39.216	38.593	39.257	39.848
YEAR ON YEAR % INCREASE				(2.59)	(1.59)	1.72	1.51

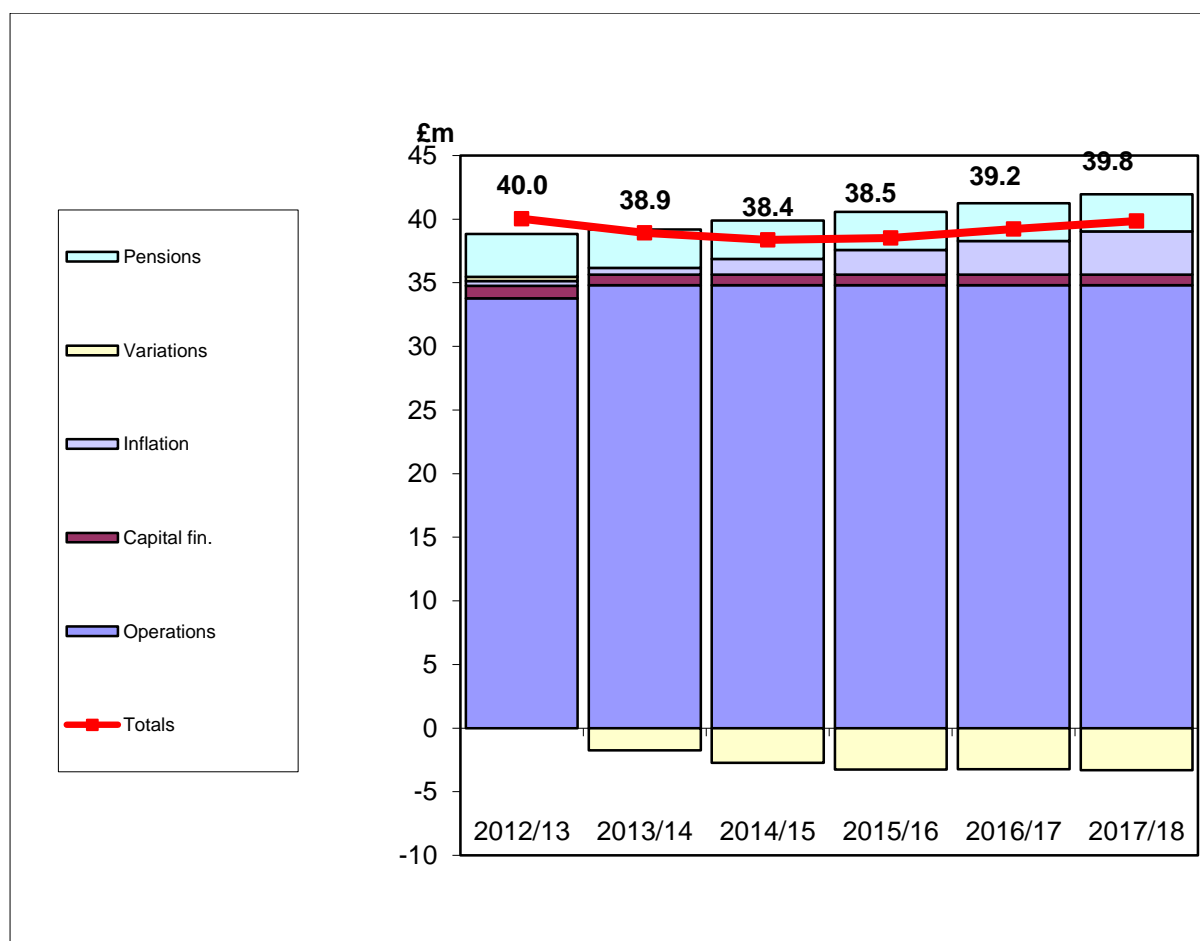
	IMPACT UPON 2013/14 REVENUE BUDGET			FUTURE YEARS' IMPACTS			
	2013/14	Cumulative cost	Cumulative increase on 2012/13 committed budget of £40.030m	2014/15	2015/16	2016/17	2017/18
	£m	£m	%	£m	£m	£m	£m
TOTAL REVENUE BUDGET PROJECTIONS BASED UPON 2013/14 COMMITTED BUDGET	40.257	40.257	0.57	39.216	38.593	39.257	39.848
Less Approved Savings	(1.325)	38.932	(2.74%)	(0.844)	(0.073)	(0.045)	
Total Financing Required from Precepts and Grants		38.932		38.372	38.520	39.212	39.848
YEAR ON YEAR % INCREASE				(1.44%)	0.38%	1.79%	1.62%
Option A							
Total funding		(38.932)		(38.233)	(37.860)	(37.821)	(37.831)
Funding Gap (after approved savings in future years)		0		0.139	0.660	1.391	2.017
Option B							
Total funding		(39.115)		(38.425)	(38.310)	(38.230)	(38.299)
Funding Gap (Surplus) (after approved savings in future years)		(0.183)		(0.053)	0.210	0.982	1.549

TABLE OF MATCHING RESOURCES TO STRATEGIC OBJECTIVES
2013/14 Committed Revenue Budget

	Responding	Protecting	Prevention	Being a Good Employer	Best Value	Total Budget
Employees	16,223	1,118	2,476	2,012	3,321	25,150
Premises	0	0	0	33	2,224	2,257
Transport	974	53	90	5	37	1,159
Supplies & Services	1,250	24	160	729	3,139	5,302
Support Services	0	0	0	0	525	525
Capital Charges	0	0	0	0	2,521	2,521
Total Gross Expenditure	18,447	1,195	2,726	2,779	11,767	36,914
Less Capital Charges	0	0	0	0	(2,521)	(2,521)
Credit	0	0	0	0	852	852
Add Interest Receipts less Capital Financing	0	0	0	0	852	852
Less Income	(261)	0	0	(187)	(383)	(831)
Net Service Expenditure	18,186	1,195	2,726	2,592	9,715	34,414
Add Pensions	2,779	173	66	0	0	3,018
Add Transfer to Balances	0	0	0	0	1,500	1,500
Committed Service Budget	20,965	1,368	2,792	2,592	11,215	38,932
% Of Total Service budget	54%	3%	7%	7%	29%	100%

The above table reflects the current allocation of resources to match Strategic Objectives with a net budget requirement of £38.932m in 2013/14.

STRATEGIC PLAN RESOURCING SUMMARY
2013/14 Five Year Projections – Committed Base Budget, Five Year Capital Programme and net committed savings



Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Operations	33.8	34.8	34.8	34.8	34.8	34.8
Capital fin.	1.0	0.9	0.9	0.8	0.8	0.8
Pensions	3.4	3.0	3.0	3.0	2.9	2.9
Inflation	0.4	0.5	1.2	1.9	2.7	3.4
Variations	0.2	-1.8	-2.7	-3.2	-3.2	-3.3
Balances	1.2	1.5	1.2	1.2	1.2	1.2
Totals	40.0	38.9	38.4	38.5	39.2	39.8

Totals

- total expenditure if five-year capital programme, committed budget and Service Investments are fully funded and all savings taken.

Variations

- Commitments flowing from 2012/13 and 2013/14 Service Budget and all proposed investments/savings – note variations are negative and are illustrated at the bottom of the graph.

Inflation

To outturn 2013/14 - Average Price inflation 2.5% applied in absence of specific inflation, thereafter 2.5%. 1% pay award provision for 2013/14 and 2013/14, thereafter 2%.

Reserves and Balances Policy

Background

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

In reviewing medium-term financial plans and preparing annual budgets, the Authority will consider the establishment and maintenance of reserves for the general fund. The nature and level of reserves will be determined formally by the Authority, informed by the judgement and advice of the Treasurer. Historically, the Authority has described all of its reserves as 'Balances' - either as Earmarked Balances or General Balances. It is now proposed that the term 'Reserves' is used instead as this is a term more readily understood by the general public.

Types of reserve

The Authority will maintain the following reserves:

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

Earmarked reserves will be maintained as follows:

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

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

Principles to assess the adequacy of reserves

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

- the strategic legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;

- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process

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

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

Service reserves

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

Use of reserves

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

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

Risk assessment to determine the adequacy of the General Reserve

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

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

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

A full review of reserves, as in the past, has taken place as part of the budget setting process. A financial risk matrix is used and maintained to further assist in identifying the level of General Reserves required. This matrix is progressively reviewed and includes provisions for a wide variety of potential corporate risks including:

- **Operational incident performance failure:** Non-insured costs of HSE and other investigations following a serious incident with serious implications for ESFRS, project team, ancillary costs and putting right the organisation (**£1m**).
- **Abnormal weather conditions:** A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs. A prolonged seasonal problem could easily generate additional costs of £200,000 in retained pay, overtime and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support *qualifying* expenditure in excess of 2% of Revenue Budget (**£0.8m**).
- **Pensions costs:** Review adequacy of pension provision as part of the revenue budget process – this provision relates to additional ill health pensions not predicted at budget preparation. Continue to monitor age profile of workforce and expenditure forecasting (**£0.175m**).
- **Staff severance and redundancy provisions:** In order to achieve the level of strategic financial savings required in future years, it may be appropriate to agree additional business case savings in advance and, as a consequence, incur additional severance payments paid to staff that exceed the sums already put by in earmarked reserves (**£0.25m**).
- Funding volatility resulting from Local Government Resources Review: as a result of the Local Government Resource Review, including the Localisation of Authority Tax Support Grant the Authority is exposed to potential increased volatility in two key income streams, business rates and Authority Tax (the latter both through the tax base itself and the likelihood of a deficit on the Collection Fund) (**£0.75m**).
- **Failure of contracted out financial systems:** The Authority purchases financial services from East Sussex County Authority, who in turn use SERCO to support the services. That contract between ESCC and SERCO is due for renewal and business continuity may be compromised (**£0.25m**).

Proposal for the level of General Reserves

Apart from two risks where a 100% risk cover provision has been presumed, cover on each item is presumed at 50% the estimated risk value. This gives a preliminary figure from the updated risk matrix of £6m (15.4%) on the net budget requirement of £38.932m in 2013/14. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate and pressure on budgets, it would seem appropriate to set a minimum level of general reserves at 8% or £3.1m. As the current general balances (reserves) provision is projected to be below this level at £3.05m, it is recommended that that a further contribution is made either from the projected 2012/13 Revenue Budget underspend or as part of the 2013/14 Revenue Budget in order that the minimum level can be maintained or exceeded.

Review of earmarked reserves

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

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

- **Improvement & Efficiency reserve:** This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver savings and respond to priority areas for service improvement. This includes support for ongoing work with WSFRS to progress a number of collaborative projects so that long term savings can be realised for both organisations. Other collaborative projects are also being progressed with a number of other partners many of which may require proportionate pump priming funding to realise future financial savings for all partners involved. Within ESFRS, initiatives are also underway to generate effectiveness improvements in how services are delivered. This reserve is also to help support such initiatives to realise full benefits.
- **Insurance Reserve:** ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. However, the high cost of premiums required ESFRS to accept higher excess limits on fleet insurance and pay for the additional costs incurred up to the higher excess levels. This has actually proven to be financially beneficial and a similar review is now taking place for property excesses. The savings made are placed in this reserve to help offset years when higher claims may occur which have to be paid for internally.

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

- **Maritime Incident Response Group:** The national funding arrangements for responding to incidents at sea have ceased and individual maritime FRs are being left to determine whether to continue to provide a service in their respective maritime sectors provided they have sufficient back up from neighbouring FRs. This provision is to allow ESFRS to sustain its maritime service until future direction is more clearly established.

- Community Fire Safety Database: This provision is for the purchase and implementation of an extension to the Technical Fire Safety Database, currently being implemented. The scheme has been deferred from 2012/13 IMD Strategy to 2014/15 when internal resources will be available to implement.
 - Breathing Apparatus: The renewal of breathing apparatus is on a life cycle basis, and significant costs are incurred at lifecycle replacement, due in 2014/15. Much of the replacement is not deemed to be Capital Expenditure so, this an appropriate funding means for significant one off revenue budget expenditure.
 - SCC Desktop Provision: a reserve to meet specific IT infrastructure needs for the Sussex Control Centre which are not funded from the DCLG grant, and whose final costs have yet to be determined.
 - SCC Connectivity: a reserve to meet specific IT infrastructure needs for the Sussex Control Centre which are not funded from the DCLG grant, and whose final costs have yet to be determined.
 - Mapping Solution a reserve to meet specific IT infrastructure for both ESFRS and the Sussex Control Centre which are not funded from the DCLG grant, and whose final costs have yet to be determined.
 - Coaching for Safer Communities: This is a more significant Community Safety activity which is undertaken in partnership and likely to be dependent upon both internal and external fund raising – this provision helps to sustain previous activities provided the predetermined cost benefit criteria proves they remain worthwhile:
 - Relocation Expenses for Staff vacating service housing: The Authority has agreed to dispose of its entire day crewed housing stock over a four year period. Staff have been offered relocation support in order to achieve this overall objective over the remaining period. The current assumption is that the costs will mostly fall in 2014/15.
 - RDS Training: provision to sustain operational training for firefighters conditioned to the retained duty system.
 - Volunteers Scheme: provision to support the volunteers scheme for a further 3 years before a business case is made for its future
- Capital Programme Reserve: to support the provision of the capital infrastructure required to deliver the Authority's service priorities; and
 - Capital Receipts Reserve: capital receipts not yet applied to capital expenditure.

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

Earmarked Reserve	31/03/2012	2012/13	31/03/2013	2013/14	31/03/2014
	Balance	Movements	Balance	Movements	Balance
	£'000	£'000	£'000	£'000	£'000
Improvement and Efficiency	1,000	(129)	871	(200)	671
Insurance	106	108	214	0	214
Service Reserves:			0		0
Maritime Incident Response Group	150	0	150	(50)	100
Community Fire Safety	0	150	150	0	150
Breathing Apparatus	0	750	750	0	750
SCC Desktop Provision	0	85	85	(85)	0
SCC Connectivity	0	106	106	(106)	0
Mapping Solution	0	120	120	(120)	0
Coaching for Safer Communities	91	(41)	50	(50)	0
Relocation Expenses for Staff vacating service housing	85	0	85	0	85
RDS Training	70	0	70	(70)	0
Volunteers Scheme	36	200	236	(79)	157
Capital Programme Reserve	1,152	334	1,486	1,000	2,486
Sub-Total	2,690	1,683	4,373	240	4,613
Earmarked Reserves Fully Spent/not required					
WAN	400	(400)	0	0	0
IMD Strategy	55	(55)	0	0	0
San H Communication Equipment	178	(178)	0	0	0
HR system Replacement	30	(30)	0	0	0
Commitments relating to 2012/13	46	(46)	0	0	0
Community Safety C/Fwd	12	(12)	0	0	0
Technical Fire Safety	95	(95)	0	0	0
Safe Drive	11	(11)	0	0	0
Sub-Total	827	(827)	0	0	0
Total Earmarked Reserves	3,517	856	4,373	240	4,613
Capital Receipts Reserve	1,702	400	2,102	(1,735)	367