



EAST SUSSEX FIRE AUTHORITY

POLICY & RESOURCES PANEL

THURSDAY 21 JANUARY 2016 at 10:00

MEMBERS

East Sussex County Council

Councillors Barnes, Howson, Lambert, Pragnell and Scott

Brighton and Hove City Council

Councillors O'Quinn and Theobald

You are requested to attend this meeting to be held at East Sussex Fire & Rescue Service Headquarters, 20 Upperton Road, Eastbourne, at 10:00 hours.

AGENDA

Item Page
No. No.

999. 1 In relation to matters on the agenda, seek declarations of any disclosable pecuniary interests under Section 30 of the Localism Act 2011.

001. 1 Apologies for Absence.

002. 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).

[003.](#) 3 Non-confidential Minutes of the last Policy & Resources Panel meeting held on 5 November 2015 (copy attached).

004. 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 Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.
- [005.](#) 7 Fire Authority Service Planning processes for 2016/17 and beyond – Revenue Budget 2016/17 and Capital Strategy 2016/17 to 2020/21 – joint report of the Chief Fire Officer and Treasurer (copy attached).
- [006.](#) 51 Revenue Budget and Capital Programme Monitoring 2015/16 – joint report of the Chief Fire Officer and Treasurer (copy attached).
- [007.](#) 65 Emergency Services Mobile Communications Programme (ESMCP) Update – report of the Chief Fire Officer (copy attached).
008. 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. A list and description of the exempt categories are available for public inspection at East Sussex Fire & Rescue Service Headquarters, 20 Upperton Road, Eastbourne, and at Brighton and Hove Town Halls.

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

EAST SUSSEX FIRE AUTHORITY

Minutes of the meeting of the POLICY & RESOURCES PANEL held at East Sussex Fire & Rescue Service Headquarters, 20 Upperton Road, Eastbourne at 11.30 hours on Thursday 5 November 2015.

Members Present: Councillors Barnes, Howson (Chair), Lambert, O'Quinn, Pragnell, Scott and Taylor.

N.B. Councillor Taylor attended the meeting in place of Councillor Theobald, having been nominated by the Group Leader and approved by the Deputy Monitoring Officer.

Also present:

Mr. G. Walsh (Chief Fire Officer & Chief Executive), Mr. S. Apter (Deputy Chief Fire Officer), Mr. G. Ferrand (Assistant Chief Fire Officer), Mrs. C. Rolph (Assistant Chief Officer), Mr. D. Savage (Treasurer), Mr. W. Tricker (Head of Finance & Procurement), Mrs. L. Ridley (Head of Performance Management), Miss L. Woodley (Deputy Monitoring Officer) and Mrs. A. Bryen (Clerk).

988. DISCLOSABLE PECUNIARY INTERESTS

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

989. ELECTION OF CHAIRMAN

989.1 **RESOLVED** – That Councillor Howson be elected as Chairman.

990. APOLOGIES FOR ABSENCE

990.1 An apology for absence was received from Councillor Theobald.

991. ANY OTHER NON-EXEMPT ITEMS CONSIDERED URGENT BY THE CHAIRMAN/CHAIRMAN'S BUSINESS

991.1 There were no urgent items for consideration.

991.2 The Panel welcomed Steve Apter, Deputy Chief Fire Officer, to the meeting and wished him well during his time with East Sussex Fire & Rescue Service. Steve had been seconded from Hampshire Fire & Rescue Service. Members welcomed Steve's temporary appointment.

992. NON-CONFIDENTIAL MINUTES OF THE POLICY & RESOURCES PANEL MEETING HELD ON 28 MAY 2015

992.1 **RESOLVED** – That the minutes of the meeting held on 28 May 2015 be approved as a correct record and signed by the Chairman. (Copy in Minute Book).

993. **CALLOVER**

993.1 Members reserved the following item for debate:
996. Day Crewed Plus Duty System

994. **PROVISIONAL REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2015/16**

994.1 Members received a joint report of the Chief Fire Officer & Chief Executive and Treasurer that advised them about issues arising from the monitoring of the 2015/16 Revenue Budget and Capital Programme as at 30 September 2015. (Copy in Minute Book).

994.2 Although half way through the financial year, a combination of factors meant that there remained high levels of uncertainty. The Revenue Budget outturn for 2015/16 was projected to be £216,000 underspent.

994.3 The overall Capital Programme was projected to be £56,000 underspent. The current year's spending profile was projected to be underspent by £256,000.

994.4 The Authority maintained Earmarked and General Reserves in order to assist it in managing its spending plans across financial years (Earmarked Reserves) and making provisions for the financial risks it faces (General Reserves). Members received a summary of the current planned use of Reserves.

994.5 A total of £1,023,000 new savings had already been taken from the 2015/16 budget, taking the total savings to £3,046,000. The projected shortfall for the year 2015/16 was £468,000.

994.6 **RESOLVED** – that the following be noted:

- (i) the projected 2015/16 Revenue Budget outturn;
- (ii) the projected Capital Programme outturn;
- (iii) the current use of Reserves;
- (iv) the monitoring of savings taken in 2015/16; and
- (v) the current year investments.

995. **TREASURY MANAGEMENT – HALF YEAR REVIEW FOR 2015/16**

995.1 Members received a report of the Treasurer that presented the treasury management half yearly report as required by the Fire Authority's reporting procedures and which covered the treasury activity for the first six months of 2015/16. The report included an update on the first half year of Prudential Indicators which related to the treasury activity. (Copy in Minute Book).

995.2 The Fire Authority had complied with its approved Treasury Management Strategy and Prudential Indicators during the first 6 months of the year.

995.3 In challenging economic conditions the average rate of interest received through Treasury Management activity was 0.61%. This reflected the Fire Authority's continuing prioritisation of security and liquidity over yield.

995.4 No new borrowing had been undertaken in 2015/16 to date; a £150k loan matured through the Public Works Loan Board (PWLB) on 30 September 2015. Total loan debt outstanding was £10.973m at an average interest rate of 4.61%. There had been no beneficial opportunities to reschedule debt so far during the year. The projected outturn of the Fire Authority's Capital Financing Requirement (CFR), a measure of the underlying need to borrow, was £10.973m.

995.5 **RESOLVED** – That the treasury management performance for the first half year of 2015/16 be noted.

996. **DAY CREWED PLUS DUTY SYSTEM**

996.1 Members considered a report of the Chief Fire Officer & Chief Executive that apprised them of the progress with the negotiations on the implementation of the Day-Crewed Plus duty system. (Copy in minute book).

996.2 Negotiations had taken place with the Fire Brigades Union on the implementation of the Fire Authority's decision on 5 June 2014 for the introduction of the Day-Crewed Plus duty system (DCP) at Roedean and The Ridge Fire Stations.

996.3 As a result of a failure to reach agreement on the implementation of the proposals, both parties had agreed to request assistance from the National Joint Council, Joint Secretaries. Following this, both parties had agreed to seek alternative proposals that would allow the Fire Authority to achieve the savings required in the Medium Term Financial Plan (MTFP) and bridge the funding gap of £2.1m by 2020/21 (at the time of the negotiations this was £1.4m by 2019/20).

996.4 Agreement on three viable options for alternative savings proposals had been reached with the Fire Brigades Union, as set out in the report. Members were advised of the related legal considerations, and the alternative savings proposals following extensive negotiations with the Fire Brigades Union.

996.5 Members noted the additional savings proposals under negotiation with the Fire Brigades Union, which will identify further savings from April 2016.

996.6 Councillor Barnes welcomed the constructive negotiations and the solution that had been reached through agreement, noting that greater savings were likely to be achieved in the long term. Whilst the original principle of Day Crewed Plus could not be ruled out entirely, the alternative proposals set out in the report would be more beneficial.

996.7 Councillor Lambert agreed that the proposals represented a sensible and sustainable way forward, but asked what risk there was in meeting the timescale through natural wastage (such as retirements) and voluntary redundancies.

996.8 Councillor Scott congratulated Officers on achieving a sensible way forward through discussions with the FBU, and looked forward to early discussions taking place on major issues in the future.

996.9 Councillor Pragnell supported the proposals. He asked when the restructuring proposals would be brought to Members for their consideration.

- 996.10 CFO Walsh informed Members that the alternative proposals would not be irreversible, but should that happen, further costs would be incurred. Savings would be achieved through natural wastage, voluntary redundancies, promotions and retirements in 2016/17 and 2017/18 and he was confident that the establishment reductions could be met. There would be additional benefits of not paying for additional accommodation required for Day Crewed Plus at a budgeted cost of £1.855m. The autumn statement would be available on 25 November and should the outcome of this be worse than anticipated with a greater reduction in grant, then Day Crewed Plus may have to be reconsidered; this point had been made throughout the negotiations. Following the agreement that had been reached, other representative bodies had been briefed and had been supportive of the proposals. An implementation plan was being prepared following an issue of concern raised by the Retained Firefighters Union.
- 996.11 ACO Rolph informed Members of the progress of proposals for the restructure of the organisation and said that a report would be brought to the Fire Authority on 10 December 2015.
- 996.12 **RESOLVED** – That
- (i) the report be noted; and
 - (ii) the Fire Authority be recommended to approve the recommendation of the Chief Fire Officer & Chief Executive that the alternative savings proposals are accepted, rather than continue to incur costs associated with the introduction of Day Crewed Plus, as an agreed negotiated position cannot be reached with the Fire Brigades Union.

997. **EXCLUSION OF PRESS AND PUBLIC**

- 997.1 **RESOLVED** – That item 998 be exempt under paragraphs 1 & 4 of Schedule 12A to the Local Government (Access to Information) (Variation) Order 2006 and, accordingly, is not open for public inspection on the following grounds:

Paragraph 1 – that it includes information to any individual.

Paragraph 4 – that it includes information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.

998. **CONFIDENTIAL MINUTES OF THE MEETING OF THE POLICY AND RESOURCES PANEL HELD ON 28 MAY 2015 (EXEMPT CATEGORIES 1 & 4)**

- 998.1 **RESOLVED** – That the confidential minutes of the meeting of the Policy and Resources Panel held on 28 May 2015 be approved as a correct record and signed by the Chairman. (Copy in Minute Book).
- 998.2 It was agreed that the confidential minute relating to item 986 may now be made available for the press and public, but the report and the background papers should remain exempt from publication under paragraph 4 of Schedule 12A to the Local Government 1972.

The meeting concluded at 11:45 hours.

Signed

Chairman

Dated this Day of

2016

EAST SUSSEX FIRE AUTHORITY

Panel: Policy & Resources

Date: 21 January 2016

Title of Report: Fire Authority Service Planning processes for 2016/17 and beyond – Revenue Budget 2016/17 and Capital Strategy 2016/17 to 2020/21

By: Chief Fire Officer and Treasurer

Lead Officer: Duncan Savage, Treasurer

Background Papers: Fire Authority 10 September 2015 – Item 868 – Strategic Service Planning and Medium Term Financial Planning 2016/17

Appendices:

- A - Medium Term Finance Plan 2016/17 – 2020/21
- B - Revenue Budget Summary 2016/17
- C - Savings
- D - Fees and Charges
- E - Medium Term Capital Strategy 2016/17 – 2020/21
- F - Reserves and Balances Policy
- G - Precept for 2016/17
- H - Establishment and Payroll Budget 2016/17

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 Fire Authority’s draft Revenue Budget 2016/17, Capital Strategy 2016/17 – 2020/21 and Medium Term Finance Plan for 2016/17 - 2020/21 for initial consideration prior to formal consideration by the Fire Authority on 11 February 2016.

EXECUTIVE SUMMARY: The Chancellor's Autumn Statement and Spending Review was announced on 25 November and the LGFS was announced on a provisional basis on 17 December 2015 for which the consultation period closes on 15 January 2016.

The Authority has continued to make good progress in identifying and agreeing savings proposals over the last 12 months, through its Changing the Service, Shaping our Future programme. The latest version of the MTFP shows that the Authority has already identified £6.4m of savings for delivery which would meet its funding gap up to 2019/20. However further savings of £0.249m are still required by 2020/21.

Officers will continue to explore the potential for further savings and a range of reviews is already underway or planned for 2016/17 as part of the Changing the Service, Shaping our Future programme.

The development of the new Integrated Risk Management Plan (IRMP) in 2016/17 will be closely linked to the development of our future financial plans, ensuring that service priorities are matched to available resources and that the Authority can achieve financial sustainability over the medium term.

The report outlines proposals for setting a balanced revenue budget in 2016/17, including commitments and growth bids, subject to the Authority agreeing a 1.94% increase in its council tax in line with its existing budget strategy.

The Capital Strategy reflects the Authority's identified capital investment requirements for the next five years and can be financed from existing resources without the need to incur additional borrowing.

The Authority has acted prudently in establishing reserves and balances to meet its assessed risks and to provide one off funding for specific priorities. This continues to provide the funding to support the Authority's transformation programme and meet its capital investment priorities over the next five years.

There is sufficient capacity within existing reserves to create an earmarked reserve of £2.0m for the expected one off investment required as part of the IMD Transformation project.

RECOMMENDATION: The Panel is asked to:

1. note that final information regarding the Local Government Finance Settlement, council tax and business rate bases and Collection Fund positions is still awaited and that final budget proposals may change once this is received.
2. recommend that the Fire Authority, subject to any changes as a result of recommendation 1 approves:

- (a) an increase in council tax of 1.94% and as a result approves:
 - (i) the budget proposals set out in this Report and the net budget requirement of £37.985m for 2016/17;
 - (ii) the council tax requirement of £24.240m; and
 - (iii) the council tax and precepts as set out in Appendix G.
 - (b) the capital programme for the next five years and the capital budget of £3.867m for 2016/17 and the plans to use capital grant, capital receipts and revenue contributions to finance that expenditure;
 - (c) the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;
 - (d) the establishment of an IMD Transformation Reserve using resources totalling £2.0m transferred from other reserves as set out in Appendix F;
 - (e) the transfer of the projected revenue underspend of £0.350m for 2016/17 to the Improvement & Efficiency Reserve;
 - (f) the fees and charges set out in Appendix D; and
 - (g) that the CFO, in consultation with the Chairman and Treasurer, be authorised to make adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.
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1. **INTRODUCTION**

- 1.1 The report sets out the proposed Revenue Budget for 2016/17, a revised Medium Term Finance Plan for 2016/17 – 2020/21 as well as the proposed Capital Strategy and Capital Programme for the Fire Authority for the period 2016/17 to 2020/21 for the Panel to consider. The report is based on the latest available information, but Members should note that we are still awaiting the final Local Government Finance Settlement (LGFS) and final information on council tax and business rates bases and collection fund surpluses / deficits.
- 1.2 This report recommends that the Authority approves a 1.94% increase in council tax which reflects the assumption set out in the existing MTFP. This would involve setting a net budget requirement of £37.985m, a council tax requirement of £24.240m and increasing Band D council tax to £86.72.
- 1.3 The proposed Revenue Budget and MTFP reflect the continuing and sustained reductions in funding for public services as the Government seeks to reduce the national deficit as set out in the Provisional LGFS 2016/17 which includes indicative figures for 2017/18 – 2019/20.

- 1.4 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months, through its Changing the Service, Shaping our Future programme. The latest version of the MTFP takes into account the rolling forward of the Plan to include 2020/21, the alternative savings proposals to replace Day Crewed Plus approved in December 2015, budget pressures, growth bids, other changes to spending plans, the provisional LGFS and latest information on council tax and business rates. Taken together, these show that the Authority has already identified £6.4m of savings for delivery which would meet its funding gap up to 2019/20, however further savings of £0.249m are still required by 2020/21. Whilst these figures are indicative at this stage, especially for the latter 4 years of the period, and will be subject to revision as better information becomes available, they provide a sound basis for our future financial and service planning.
- 1.5 There remain a number of uncertainties for funding in 2016/17, and beyond, and the Fire Authority will need to remain flexible in its approach to its financial planning. The announcement by the Government of indicative funding figures for the period 2017/18 – 2019/20 as part of the provisional LGFS is welcome and will support our strategic service and financial planning for the future. However, we are still awaiting further clarification on what is required of Authorities to access this four year funding offer. The Government has also committed that by the end of this Parliament, local government will retain 100% of business rates revenues to fund local services. Local government grant will be phased out and additional responsibilities will be devolved to local authorities. How this will impact on fire authorities is not yet clear and the Government proposes to consult extensively on its proposals during 2016.
- 1.6 The Authority will be reviewing its strategy and IRMP during 2016/17. The development of the new IRMP will be closely linked to the development of our future financial plans, ensuring that service priorities are matched to available resources and that the Authority can achieve financial sustainability over the medium term. The Authority will also need to consider any potential financial impacts of local devolution proposals should these receive approval together with the recent announcement that responsibility for the fire & rescue service will transfer to the Home Office from April 2016.

2. **ECONOMIC OUTLOOK**

- 2.1 The general state of the economy is an important factor in setting the Fire Authority's revenue budget and MTFP over the next 5 years. The UK economy has continued to show positive growth during 2015 with Gross Domestic Product (GDP) expected to reach the Office for Budget Responsibility's (OBR) forecast of 2.4%. In the medium term GDP forecasts have been revised slightly upwards at between 2.3 and 2.5% through to 2020. The OBR also predicts that unemployment will continue to fall to 5.2% in 2016 and 2017 before rising slightly to 5.4% towards the end of the period. Real wages are growing at rates not seen since before the recession reaching 2.9% in the 3 months to September 2015. The timing and strength of the return to sustained productivity growth remains uncertain with UK productivity continuing to lag 20% below the G7 average. Commentators remain concerned over the impact of weaker growth in the EU and emerging market economies on the UK economy.
- 2.2 Public sector net debt as a % of GDP peaked at 83.1% in 2014/15, but in absolute terms the OBR expects it to continue to rise to in excess of £1.7tn in 2020/21.
- 2.3 The official bank interest rate remains low at 0.5% and most commentators expect to see small but sustained increases from mid-2016.

2.4 Consumer Price Inflation (CPI) has fallen into negative territory during the year and is forecast to be 0.1% for 2015 as a whole. The OBR expects it to remain below the 2% target through to 2018 and remain on target to 2020. The Retail Price Index (RPI) was slightly higher than expected at 1.0% in the third quarter of 2015, and is expected to rise gradually until it plateaus at just above 3% in 2018.

3. **NATIONAL FUNDING**

3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from three main sources: Council tax; Government grants (both revenue support grant and top up grant); and a share of locally retained Business Rates. As a result of the Local Government Resource Review and subsequent legislation there were significant changes to these sources of funding for 2013/14 which aimed to provide more flexibility at a local level in the way money was spent and more control over how it was collected and grown. No major changes to this system are proposed by Government for 2016/17. However the Government has announced that it intends to fully localise business rates by 2019/20 and that this will result in the final withdrawal of revenue support grant. It is expected that this change will be revenue neutral, and that Government may devolve additional responsibilities to local authorities as part of the process. Changes to primary legislation will be required and the Government is expected to consult on its proposals in due course. It is possible that income from business rates may also be affected by the devolution proposals set out in the Three Southern Counties / Greater Brighton bids.

3.2 The Local Government Finance Report (England) 2016/17 is due to be debated in mid-February when, if approved, the LGFS will become final. It is recommended that power is delegated to the Chief Fire Officer, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.

3.3 The provisional LGFS includes funding figures for 2016/17 and indicative figures up to 2019/20. DCLG has announced this as a four year settlement, but the figures for 2017/18 and beyond are part of an offer to any authority that wishes to take it up. In order to take up the offer an authority will need to publish an efficiency plan. At this point it is not clear what an efficiency plan must include and what criteria it would be judged against. It is not clear whether the announcement that responsibility for the fire & rescue service will transfer from DCLG to the Home Office will affect the funding offer made by DCLG.

3.4 The Government has defined Core Spending Power as Revenue Support Grant (RSG); retained business rates; income from New Homes Bonus; the local government element of the Better Care Fund and the Rural Services Delivery grant, as well as income from council tax (assuming that the tax base grows by the national average growth in tax base between 2013/14 and 2015/16 and authorities increase council tax by CPI and where appropriate 2% to support social care). The Government calculates that Core Spending Power by this definition will fall by an average 0.5% over the period to 2019/20. For standalone fire & rescue authorities (FRAs) the forecast change is a net reduction in Core Spending Power of 2% over the period. For the Fire Authority the reduction is 1.3%.

- 3.5 The Government proposes to reduce revenue support grant for individual authorities in a way that ensures that authorities delivering the same set of services receive the same percentage change in settlement core funding (similar to Core Spending Power but without any assumed increase in council tax) for those services. This is a significant change in approach and means that those authorities that are more dependent on RSG for their funding (and logically less able to increase spending power through growth in council tax income) should receive lower reductions in Government funding.
- 3.6 The headline reduction in RSG for standalone FRAs is 48% or £166m over the four year period with actual reductions for individual FRAs ranging from 40% to 65%. For the Fire Authority the reduction is equal 5th highest at 58%.
- 3.7 The Government has confirmed that it will pay in full for the extension of small business relief announced in the Spending Review and Autumn Statement 2015 through a S31 grant. The doubling of Small Business Rate Relief will continue for a further year but the retail discount will end on 31 March 2016. The Government has not yet provided indicative figures for the S31 grant and we will not know the actual amount until billing authorities submit their NNDR1s at the end of January so we have continued to model using our existing assumptions.
- 3.8 There is no proposal to offer a Council Tax Freeze grant for 2016/17 and so this option is no longer modelled. The council tax referendum threshold is proposed at 2% with the exception of Police and Crime Commissioners and shire district authorities which are in the lowest quartile by council tax level for which a higher limit of up to £5 (on a Band D bill) applies. There is no additional flexibility for FRAs. Authorities with responsibility for social care are allowed to levy an additional increase of up to 2% specifically to be spent on social care. This will enable both of our constituent authorities to levy increases of up to 4% but does not impact on fire authorities.
- 3.9 As part of the 2011 Localism Act, council tax capping in England has been abolished and has been replaced by new powers for residents to approve or veto excessive council tax increases through a local referendum. If the residents vote against the increase, the local authority will have to revert to a council tax level that is compliant with the Government's threshold.
- 3.10 Any decision to trigger a referendum would incur a significant cost in actually carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling.
- 3.11 Draft statutory guidance on the flexible use of capital receipts was published alongside the LGFS consultation. Under this guidance authorities would be able to use new capital receipts from April 2016 – March 2019 to pay for the revenue set up costs of projects that will deliver revenue savings, subject to submitting an annual efficiency strategy setting out qualifying projects to DCLG.
- 3.12 There has been no announcement on specific grants for the fire & rescue service to date. We have continued to model on the basis of assurances given earlier in the year that both Firelink and New Dimensions grants would be protected for 2016/17 and 2017/18.
- 3.13 We understand that DCLG will not be providing any capital or transformation grant to fire & rescue services as part of the 2016/17 settlement.

4. **MEDIUM TERM FINANCIAL STRATEGY**

4.1 The Medium Term Financial Plan (Appendix A) reflects the impact of the provisional LGFS for 2016/17, including the indicative figures to 2019/20, and the latest information on business rates and council tax (this will not be finalised until later in January). For 2020/21 we have assumed that in line with the Government's commitment to localise 100% of business rates, the total of settlement funding assessment will remain the same as in 2019/20 (albeit the component parts will obviously be different).

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

- acceptance of the four year settlement as set out in the provisional LGFS and no change to settlement funding assessment in 2020/21;
- Growth in council tax base of 2.63% in 2016/17 and 0.6% pa thereafter;
- No assumption of growth in Business Rates base other than the impact of the annual uprating by the RPI multiplier;
- Increases of 1.94% in council tax each year;
- Net Provision for pay increases of 1.5% pa to 2018/19 and 2% thereafter;
- Provision for price increases of 1% in 2016/17 and 2.5% each year thereafter; and
- Delivery of savings in line with agreed plans (including the Riding at Minimum proposals agreed at December 2015 CFA, but at this stage not the proposed Management Restructuring or the SHQ Relocation).

4.3 The MTFP now forecasts a net expenditure reduction of 1.7% to 2016/17, 3.0% to 2017/18, no change to 2018/19 and subsequent increases of 1.1% to 2019/20 and 2.5% to 2020/21. This takes account of future provisions for increases in pay and prices, agreed savings, the factors described in paragraph 6.4 and it indicates the shortfall that will be required to be met from further savings to ensure that expenditure matches available grant, business rates and council tax income. On the basis of these assumptions the MTFP shows that the Authority has identified sufficient savings to close its funding gap up to 2019/20 and allowed it to fund a number of growth bids and continue its policy to provide additional revenue contributions to fund capital expenditure (given the withdrawal of Government funded capital grant). Further savings of £0.249m are required by 2020/21.

5. **PROJECTED REVENUE POSITION 2015/16**

5.1 The Authority has a revenue budget of £38.627m for the financial year 2015/16. Based on figures to the end of November 2015 the revenue budget is forecast to underspend by £350,000.

5.2 It is recommended that any forecast revenue underspend that is not required to be carried forward for specific purposes is transferred to the Improvement & Efficiency Reserve to support the funding of the Authority's transformation programme and any outcomes from the IRMP review. Members are reminded that the 2016/17 LGFS does not include any further transformation funding for the fire & rescue service.

6. REVENUE BUDGET 2016/17

6.1 Impact of national funding changes on local position

6.1.1 The Revenue Budget Summary for 2016/17 and the MTFP have been updated to reflect the provisional funding announced in the LGFS and the most recent information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. The impact of the provisional LGFS for 2016/17 and a comparison with figures previously modelled and reported to the Fire Authority is set out in Table 1 below.

6.1.2 In summary, the impact of the provisional LGFS is a reduction in resources in 2016/17 of £0.053m against that previously modelled. This is primarily due to lower than expected RSG of £0.061m. The balance is a small increase in forecast income from business rates as a result of slightly higher than anticipated RPI multiplier (0.8% rather than 0.7%).

6.1.3 Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Authority has agreed to continue to participate in the East Sussex Business Rate Pool for 2016/17. We are still awaiting confirmation of the forecast income from the Pool for 2016/17 and at this stage have not included any assumption around either income or expenditure in the draft revenue budget. Under the terms of the Pooling agreement this funding must be used to support the economic regeneration of East Sussex. Pilots to improve support to local businesses are currently being developed using the 2015/16 funding from the Pool.

Table 1 – Summary of Impact of Local Government Finance Settlement

	2016/17 £'000
Locally Retained Business Rates	2,528
Top Up Grant	4,768
Business Rates Baseline	7,296
Revenue Support Grant	6,196
Settlement Funding Assessment	13,492
Estimated value of Business Rates Pool included above Settlement Funding Assessment Adjustment	0 103
Total for comparative purposes	13,595
As reported to Policy & Resources September 2015	13,648
Increase/(decrease) in funding	(53)

- 6.1.4 Since the localisation of Council Tax Support Grant in 2013/14, billing authorities have been required to approve their own local Council Tax Reduction Schemes (LCTRS). Initially these schemes set out to recover the 10% reduction in national funding by reducing support for certain council taxpayers, alongside changes to existing discounts and exemptions. All local billing authorities except Hastings Borough Council have changed their LCTRS for 2016/17 to reduce the level of support available thereby reducing the cost of the LCTRS. These changes are taken into account, along with underlying tax base growth, changes to claimant numbers and collection rates in calculating the new council tax base. There is a potential risk to the collection fund in 2016/17 as a result of these changes, but in East Sussex it has been agreed that additional support will be provided through the billing authorities to try and mitigate this. The Authority's share of this cost is estimated to be £25,000 shown as a commitment in the 2016/17 budget.
- 6.1.5 The Authority's council tax Base for 2016/17 is calculated as 279,522.19, an increase of 2.63% on 2015/16 (272,366.01). If the Authority were to increase its council tax as currently modelled by 1.94% this would provide income of £24.240m compared to £23.856m previously modelled. Each 1% increase in council tax yields additional income of £0.237m using the 2016/17 taxbase.
- 6.1.6 Based on the latest information available, we have assumed that there will be a surplus of £0.250m on the Council Tax Collection Fund and a deficit on the Business Rates Collection Fund of £0.100m for distribution in 2016/17. Members should note that any net collection fund surplus is a one off benefit only.
- 6.1.7 The latest resource position is reflected in the Revenue Budget Summary and the MTFP however, the net movement in resources since the last report to Members is summarised below in Table 2.

Table 2 – Movement in Resources

	2016/17 Latest position	2016/17 Fire Authority September 2015	Increase / (Decrease)
	£'000	£'000	£'000
Locally Retained Business Rates	2,528	2,526	2
Business Rates Top up	4,768	4,762	6
Business Rates Baseline	7,296	7,288	8
Revenue Support Grant	6,196	6,257	(61)
Settlement funding assessment	13,492	13,545	(53)
Council Tax Collection Fund Surplus / (Deficit)	250	0	250
Business Rates Collection Fund Surplus / (Deficit)	(100)	0	(100)
Section 31 grant Business Rates adjustment	103	103	0
Council Tax Requirement	24,240	23,856	384
Total Resources	37,985	37,504	481

6.2 Overview of current budget proposals

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

- (i) to fulfil the Fire Authority's statutory duties as a legally separate authority;
- (ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability;
- (iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate;
- (iv) to further develop and implement an Integrated Risk Management approach to our Strategic Plans and services to local communities; and
- (v) to identify sufficient savings over the medium term to ensure it has a balanced budget and sustainable medium term finance plan in the light of expected reductions in public sector funding.

6.2.2 The Authority identified that it had a funding gap of £7.1m in July 2013 and subsequently embarked on a phased programme called 'Changing the Service, Shaping our Future' to identify and evaluate savings proposals. Through this Programme, the Authority has since approved a range of operational and non-operational savings proposals which have, in combination with pre-existing savings initiatives, so far delivered revenue budget savings totalling £3.046m with a further £3.325m identified for delivery by 2020/21.

6.2.3 During 2016/17 the Authority will be reviewing its Corporate Strategy and its IRMP which will form the basis for considering risk and need across the communities we serve and the level, type and disposition of resources that are required to meet that need. The IRMP process will be the main mechanism through which future savings proposals are considered, including a number of Changing the Service Shaping our Future reviews which have been delayed until after the new mobilising system at the Sussex Control Centre goes live.

6.2.4 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves & Balances. The 2016/17 Revenue Budget has been prepared against a background of continued reductions in funding for public services as part of the Government's continuing deficit reduction strategy.

6.2.5 Taken together, the Authority's approved savings plans alongside increased income from council tax means that in addition to addressing identified budget commitments, the Authority can fund a small number of one off / short term growth bids approved by Corporate Management Team totalling £0.385m in 2016/17 (see table 4). The Authority can also continue with its approach agreed as part of the 2015/16 budget to use short term revenue flexibility to provide additional funding for the Capital Strategy (£0.495m in 2016/17) which partially mitigates the loss of capital grant from Government. However, the Authority must take decisions on the 2016/17 budget in the knowledge that this flexibility is available only in the short term and additional savings of £0.249m are still required by 2020/21. Further details of the proposed draft revenue budget and capital programme are set out from paragraph 6.4 onwards.

6.3 Consultation

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

- More than four fifths (83%) of residents agreed that the current council tax charge (£81.86 per year for a Band D property) for the Fire & 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 & services in future years when the grant ceases; 8% thought that the Service should not reject the offer.
- Just over two fifths (42%) of residents who are council tax bill payers said that they would support an increase of approximately 81p or less per year per household.
- However, when asked if they would still support a higher increase, almost three fifths (58%) of residents who are council tax bill payers said that they would support an increase of approximately £1.60 or less per year per household.

6.3.2 The Changing the Service Shaping our Future programme developed its proposals for change in line with these consultation outcomes which expressed a preference for savings to be found through changes to crewing arrangements rather than reductions in appliances or fire stations. Full public consultation was carried out prior to the consideration and approval of Phase 2 proposals in June 2014. Further public consultation will be carried out as part of the review of the IRMP during 2016/17.

6.3.3 The representative bodies including the Fire Brigades' Union, the Fire Officers' Association, the Retained Firefighters' Union and UNISON are being briefed on the 2016/17 Revenue Budget proposals. Staff and business representative bodies and local authorities have been asked to comment on the draft Revenue Budget proposals for 2016/17 and responses received will be reported to the Fire Authority at its February meeting.

6.4 Basis of Estimates

6.4.1 2016/17 estimates have been prepared on the following basis:

- Net provision for pay inflation has been set at 1.5% in 2016/17. The Government restated its aim, in the Autumn Statement and Spending Review 2015 that public sector pay rises should not exceed an average of 1% pa over the period to 2019/20. Fire service pay is negotiated nationally.
- To update other costs to take account of inflation to estimated 2016/17 outturn prices at 1.0%.
- To include both increases and decreases resulting from the introduction of or removal of commitments flowing from strategic decision making or changes to legislation, for example the IMD Strategy and the expected impact of the introduction of the flat rate state pension on employer's national insurance contributions.
- To include growth bids approved by Corporate Management Team to support policy decisions of the Authority and other service priorities.
- The inclusion of the latest Changing the Service, Shaping our Future savings proposals including the Riding at Minimum savings proposals which replace the Day Crewed Plus proposals.

6.4.2 The impact of these assumptions on the 2016/17 Revenue Budget is shown overleaf in Table 3. Further detail of savings is shown in table 5 (page 22) and Appendix C.

Table 3 - Summary of Net Budget Requirement

	£'000	Change %
Net Budget Requirement 2015/16	38,627	
Pay inflation	479	1.24%
Non pay inflation	98	0.25%
Changes in capital financing	(10)	(0.03%)
Commitments: see Table 4	653	1.69%
Savings: see Table 5	(1,862)	(4.82)
Net Budget Requirement 2016/17	37,985	(1.66%)

6.5 Fees and Charges

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

6.5.2 Appendix D gives details of increases in fees and charges for Fire & Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect nationally agreed increases in pay and the overall level of provision for inflation generally, it is proposed to increase fees and charges by 1.0% in 2016/17.

- 6.5.3 The Localism Act introduced by the Government allows FRAs to introduce other fees and charges subject to local consultation and this includes being able to charge for false alarm calls from persistent offenders.
- 6.5.4 Officers have investigated the opportunities to make charges and have reviewed false alarms policy and activity as well as quantifying potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged. Proposals have been agreed to develop charging for large animal rescue (both in East Sussex and work carried out on behalf of Kent & Medway FRA) and search and rescue activity carried out on behalf of Surrey and Sussex Police. As these proposals have not yet been fully developed we have not set income targets for the 2016/17 budget, but will review the situation during the year with a view to setting income targets for 2017/18. Charging for lift release may be considered once work has been carried out with those landlords (often public sector) whose properties result in the most call outs to try and reduce the number of incidents.
- 6.5.5 In the 2016/17 budget the fees and charges listed in Appendix D amount to £132,000, the remainder of the income budget is mainly income from West Sussex County Council for the Sussex Control Centre.
- 6.6 **Main Variations**
- 6.6.1 The changes in commitments leading to increased or decreased provision are shown in Table 4 overleaf:

Table 4 - Budget Commitments

Commitments	£'000
Adjustment to Firefighter pension employer's contributions	55
To reduce ill health budget	(21)
Flat Rate State Pension, pressure on NI employer's contributions	528
Increase in LGPS employer's contribution to reflect triennial valuation	26
Hand held radios - one year only	150
IMD Strategy	(251)
Fleet Strategy	74
Adjustment to the level of Capital Expenditure from Revenue account	(593)
Increase in FireLink Grant in line with Government pledge for New Burden Grant	(2)
Increase in New Dimensions Grant in line with Government pledge for New Burden Grant	(1)
Contribution to billing authority costs to support LCTRS	25
Address pressure on the IMD FireLink budget	14
Business Rates revaluations for Service HQ and Crowborough fire station	9
To re-align the East Sussex allowance to the day-crewed stations' establishment	109
Additional funding for services in Operations Planning and Procedures	46
Continued support for legacy mobilising system until April 2017	273
Make good shortfall in IMD mast rental income	27
Increase staffing costs in Community Safety	23
Corporate contingency changes	93
Remove the increase in Business Rates income plans to spend in Business Safety (one year only)	(229)
Emergency Services Mobile Communications Project (ESMCP)	20
Removal of additional wholetime resources allocation	(107)
Total committed	268
Growth	
Increase staffing resource for FireWatch	9
Establishment of Programme Management Office (3 years)	180
Integrated Risk Management Plan strategic review (1 year - 2016/17)	60
HR project resource for Enterprise Bill (1.75 years from 2016/17)	36
Retrofit of sprinklers in high risk and high rise residential areas (two years only)	100
Total Growth	385
Total of Commitments and Growth	653

6.7 Savings Plan

- 6.7.1 Given the scale of the funding gap that the Authority faced from 2014/15 it agreed to fundamentally review all of its services, including Prevention, Protection and Response. This programme, called 'Changing the Service, Shaping our Future', is set out over three phases, and the Authority has already approved a range of proposals which we anticipate will deliver savings of £3.051m by 2020/21. This now includes savings of £1.1m from the Riding at Minimum proposal which replaces the Day Crewed Plus savings of £0.391m. This change has also resulted in the reduction in the savings expected from the implementation of Locality Managers by £0.121m. When taken together with savings identified from non-operational services of £1.392m, the existing Facing the Challenge process and Sussex Control Centre these initiatives are expected to deliver £4.909m in 2016/17 and £6.371m by 2020/21.
- 6.7.2 The Authority has previously agreed to the savings from the establishment of the Sussex Control Centre, a single mobilising and control centre for fire & rescue in Sussex in collaboration with West Sussex Fire & Rescue. The annual savings from the Project remain at £0.475m and these are included in the budget. However as a result of the delay in implementation of the new mobilising system, the 2016/17 budget recognises a pressure in the IMD budget totalling £0.273m (see table 4).
- 6.7.3 A number of reviews / projects are underway as part of the Changing the Service, Shaping our Future programme which have the potential to deliver further savings:
- IMD Transformation (contract due to be let in 2016/17)
 - Service HQ relocation (awaiting finalisation of Heads of Terms)
 - Management Restructure (final proposal due to be considered reported February 2016)
 - Emergency Services Collaboration Programme – Integrated Transport Function
 - Phase 3 reviews:
 - Retained Duty System (Review 1) – due to report March by 2016
 - Technical rescue Unit (Review 5) – due to report March by 2016
 - Flexi Duty System (Review 6) – due to report March by 2016
 - Demand Led Rostering (Review 7) – due to report March by 2016
 - Schools Education Programme (Review 8) – due to be carried out during 2016/17 by the Head of Community Safety
 - Support Services Review (Review 14) - due to commence February / March 2016
- 6.7.4 The following Phase 3 reviews are dependent on the service implementing dynamic mobilising as part of the new mobilising system at Sussex Control Centre. They have been delayed and will now form part of the IRMP process in 2016/17:
- Rural Review (Review 3)
 - Day Crewed Plus at Uckfield (Review 10)
 - Day Crewed Plus at Lewes (Review 11)
- 6.7.5 All these savings are summarised in the Table 5 and have now been included in the Revenue Budget. A full listing is included in Appendix C.

Table 5 - Savings

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Total Facing the Challenge Savings	(494)	(567)	(567)	(567)	(567)
Sussex Control Centre Savings	(474)	(474)	(474)	(474)	(474)
Total Deferred Savings	(339)	(339)	(339)	(339)	(339)
Total Phase 1 Savings	(892)	(892)	(892)	(892)	(892)
Total Phase 2 Savings	(1,319)	(1,879)	(2,159)	(2,159)	(2,159)
Total Additional non-Operational Savings	(213)	(213)	(213)	(213)	(213)
Total non-Operational Savings	(1,179)	(1,555)	(1,728)	(1,728)	(1,728)
Total savings	(4,909)	(5,918)	(6,371)	(6,371)	(6,371)

7. **CAPITAL PROGRAMME**

7.1 **Capital Programme 2016/17 to 2020/21 (base year 2015/16)**

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

It is likely that the Strategy will be subject to further review in 2016/17 to ensure it reflects any capital investment decisions resulting from the IRMP review, the IMD Transformation Programme and the ESCP Integrated Transport Function workstream.

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

Table 6
Revenue Impact of Capital Programme 2016/17 to 2020/21

	Total resource	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Fleet	8,874	2,426	1,295	1,816	1,990	1,347
Property	3,909	1,441	890	729	569	280
IMD	0	0	0	0	0	0
Total Gross Cost	12,783	3,867	2,185	2,545	2,559	1,627
Cost of 2015/16 Strategy	8,889	2,784	1,645	2,070	2,390	n/a
Increase (decrease)	2,267	1,083	540	475	169	n/a
Revenue implication	4,669	945	943	927	927	927
Previously forecast revenue implication	3,742	945	943	927	927	n/a
Total Revenue Cost (Saving)	0	0	0	0	0	n/a

8. RESERVES & BALANCES

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

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

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

8.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The annual review of the robustness of reserves and balances is set out in Appendix F. A summary of the forecast year end reserves and balances position is set out in Table 7 overleaf. The main proposed change is the recommendation to establish an IMD Transformation reserve of £2.0m that will be used to fund the one off costs of implementation of the Authority's new IMD Strategy and outsourced service arrangements, including any required capital investment in our infrastructure, applications and devices. Whilst the costs will not become clear until the new outsourced contract is let during 2016/17, it is prudent to establish a reserve given the scale of investment likely to be required which could not be funded from the revenue budget. It is proposed that the reserve is funded by transferring the balance of the general reserve over and above its 8% policy minimum (£0.700m) along with the unused balance of the Budget Carry Forward and Relocation reserves (£0.302m), and £0.998m from the Capital Programme reserve.

Table 7 – Summary of Forecast Reserves and Balances

	31/03/16	31/03/17	31/03/18	31/03/19	31/03/20	31/03/21
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	4,631	5,381	5,881	6,381	6,881	7,381
Other Earmarked Reserves	4,989	2,639	1,039	249	249	249
Total Earmarked Reserves	9,620	8,020	6,920	6,630	7,130	7,630
General Fund	3,053	3,053	3,053	3,053	3,053	3,053
Capital Reserves	6,382	4,725	5,500	3,618	1,490	219
Total Useable Reserves	19,055	15,798	15,473	13,301	11,673	10,902

9. **CHIEF FINANCE OFFICER STATEMENT**

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

10. **EQUALITY IMPACT ASSESSMENT**

10.1 Following the introduction of the Equality Act 2010 the Authority, must in the exercise of its functions, including the setting of its Revenue Budget and the taking of decisions on savings proposals, have due regard to its duties under the Act and in relation to certain protected characteristics. This means that Members must understand the consequences of the decisions they take for those with the relevant protected characteristics and consider these proportionately alongside other relevant factors. The majority of savings included in the 2016/17 Revenue Budget were approved by the Fire Authority in December 2013, February and June 2014, and December 2015 and Equality Impact Assessments were prepared at the time. These have been updated since as the operational savings proposals have been developed for implementation and to reflect the additional non-operational savings proposals. Copies are available from the Clerks should Members wish to review them prior to approving the Revenue Budget. The Equality Impact Assessment for any new savings proposals will be developed and reported as approval for each proposal is sought.

MEDIUM TERM FINANCIAL PLAN 2016/17 - 2020/21
INCREASE COUNCIL TAX BY 1.94% EACH YEAR

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	37,457	36,742	36,872	37,509	38,444
Less					
Specific grants	(213)	(215)	(193)	(174)	(157)
Other income	(1,374)	(1,409)	(1,446)	(1,482)	(1,519)
Total income	(1,587)	(1,624)	(1,639)	(1,656)	(1,676)
Net Service Budget	35,870	35,118	35,233	35,853	36,768
Capital financing costs less interest receivable	870	868	852	852	852
Capital expenditure from the Revenue Account	495	341	232	0	0
Transferred to Balances	750	500	500	500	500
Total Net Expenditure	37,985	36,827	36,817	37,205	38,120
Net Budget brought forward	38,627	37,985	36,827	36,817	37,205
Unavoidable cost pressures					
Pay inflation	479	479	474	477	484
Price inflation	98	222	213	214	221
Total inflation	577	701	687	691	705
Changes in Capital Financing	(10)	(2)	(16)	0	0
Budget commitments	653	(848)	(228)	(303)	210
Savings approved	(1,862)	(1,009)	(453)	0	0
Total Net Expenditure	37,985	36,827	36,817	37,205	38,120
Sources of Funding	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,528	2,584	2,662	2,741	
Business Rate Top Up	4,768	4,862	5,005	5,165	
Business Rates Baseline	7,296	7,446	7,667	7,906	
Revenue Support Grant	6,196	4,524	3,660	3,157	
Settlement Funding Assessment	13,492	11,970	11,327	11,063	11,063
Section 31 Grant Business Rates adjustment	103	0	0	0	0
Council Tax Collection Fund (Deficit) / Surplus	250	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(100)				
Council Tax Requirement	24,240	24,857	25,490	26,142	26,808
Total Resources Available	37,985	36,827	36,817	37,205	37,871
Additional Savings Required / (surplus)	0	0	0	0	249

Revenue Budget Subjective Summary

	2015/16 Original Estimate	2016/17 Original Estimate
	£'000	£'000
Salaries, Allowances and On-costs	27,380	27,279
Training Expenses	558	534
Other Employees Costs	224	228
Employee Costs	28,161	28,042
Repair, Maintenance and Other Costs	1,047	1,057
Utility Costs	1,161	1,177
Premises Costs	2,208	2,234
Vehicle Repairs and Running costs	961	936
Travel Allowances and Expenses	142	141
Transport Costs	1,104	1,077
Equipment and Supplies	2,064	2,065
Fees and Services	1,689	1,708
Communications and Computing	1,440	1,641
Other Supplies and Services	593	690
Supplies and Services	5,785	6,104
Sums set aside from revenue	1,532	934
Interest Payments	510	506
Capital Financing	2,042	1,440
Grants and Contributions	(440)	(417)
Interest Received	(75)	(75)
Other Income	(1,159)	(1,170)
Income	(1,673)	(1,662)
Transfers From reserves		
Transfers To reserves	1,000	750
Total Net Expenditure	38,627	37,985
Financed By:		
Council Tax	(23,170)	(24,240)
Business Rates	(7,290)	(7,296)
Revenue Support Grant	(7,514)	(6,196)
S31 Grants	(276)	(103)
Council Tax Freeze Grant	0	0
Collection Fund Surplus/Deficit	(377)	(150)
Total Funding	(38,627)	(37,985)

Savings (cumulative)

APPENDIX C

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Facing the Challenge Savings					
GIS Data Controller post	(36)	(36)	(36)	(36)	(36)
Reduction L & D external training budget	(40)	(40)	(40)	(40)	(40)
DFS post (net)	(50)	(50)	(50)	(50)	(50)
Project Officer post following RCC cutover (Grade 7)	(35)	(35)	(35)	(35)	(35)
Visual Imaging Technician	(34)	(34)	(34)	(34)	(34)
Graphics Designer	(36)	(36)	(36)	(36)	(36)
Fifth floor admin support	(16)	(16)	(16)	(16)	(16)
Insurance Portfolio	(30)	(30)	(30)	(30)	(30)
ICS Review - take post 37 quality assurance manager - Updated 20 June 2013 ICS Review Costings V6a	(143)	(216)	(216)	(216)	(216)
Removal of Aerial Ladder Platform and pumping appliances from Eastbourne Fire Station and replace with a Combined Aerial Rescue Platform	(74)	(74)	(74)	(74)	(74)
Total Facing the Challenge Savings	(494)	(567)	(567)	(567)	(567)

Sussex Control Centre Savings	(474)	(474)	(474)	(474)	(474)
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Deferred Savings					
Reduction in Transitional Costs provision not taken in 2013/14	(174)	(174)	(174)	(174)	(174)
Relocation Expenses additional savings not taken in 2013/14	(20)	(20)	(20)	(20)	(20)
Hydrants additional savings not taken in 2013/14	(15)	(15)	(15)	(15)	(15)
Uniform additional savings not taken in 2013/14	(30)	(30)	(30)	(30)	(30)

Savings (cumulative)
APPENDIX C

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Insurance Additional savings not taken 2013/14	(50)	(50)	(50)	(50)	(50)
Fuel additional savings not taken in 2013/14	(50)	(50)	(50)	(50)	(50)
Total Deferred Savings	(339)	(339)	(339)	(339)	(339)

Non Operational Savings					
Cleaning – review of current specification	(53)	(53)	(53)	(53)	(53)
Security – anticipated saving through contract re-procurement	(8)	(8)	(8)	(8)	(8)
Electricity Consumption Savings (premises wide) – as a result of Solar PV installation	(10)	(10)	(10)	(10)	(10)
Firelink Contract – review of budget against actual costs	(86)	(86)	(86)	(86)	(86)
Increase in income from mast rentals	(10)	(10)	(10)	(10)	(10)
Fuel – based on reducing trends in fleet mileage	(20)	(20)	(20)	(20)	(20)
Operational Equipment (Breathing Apparatus) – reduction in provision for ad hoc replacement - to be managed within equipment replacement budget	(33)	(33)	(33)	(33)	(33)
Various reductions in Health and Safety budget to reflect changes in working practices	(10)	(14)	(18)	(18)	(18)
Advertising budget – reflects lower level of recruitment advertising	(32)	(32)	(32)	(32)	(32)
Interview Expenses – reflects lower level of actual spend	(5)	(5)	(5)	(5)	(5)
HR Restructuring completed 2013/14	(8)	(8)	(8)	(8)	(8)
Reduction in Skills Refresher courses as a result of overall reduction in operational posts	(7)	(7)	(7)	(7)	(7)
Reduce L&OD course administration team by 1 fte as part of team relocation to STC.	(24)	(24)	(24)	(24)	(24)
Establish a visiting instructor rate of pay to replace over-time payments	(30)	(30)	(30)	(30)	(30)

Savings (cumulative)
APPENDIX C

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Incorporate ASK refresher training into 4 day operational skills refresher course	(50)	(50)	(50)	(50)	(50)
Closer collaboration through to joint training function with WSFRS being accepted and implemented by both FRS	0	0	0	0	0
Reduce budget allocation for Information Management, Health & Safety, Technical Fire Safety and Human Resources training – reflects patterns of actual spend and better prioritisation of training bids	(78)	(78)	(78)	(78)	(78)
Development budget - Reflects reduction in operational posts and Incident Command review. Budget currently due to spend 60% of allocation in current year. Proposal to make a significant cut for two years whilst downsizing in place then increase slightly to reflect the need to develop staff who achieve promotion in years three, four and five of plan.	(45)	(30)	(30)	(30)	(30)
External audit – reduction in fees following the winding up of the Audit Commission	(15)	(15)	(15)	(15)	(15)
Car allowances/Travel – reflects reduction in spend	(2)	(2)	(2)	(2)	(2)
Uniform – based on proposals to reduce operational posts	0	0	(44)	(44)	(44)
Car Allowances	(4)	(4)	(4)	(4)	(4)
External Printing and Copying – reflects impact of on line Council Tax leaflets	(21)	(21)	(21)	(21)	(21)
Advert & Publicity (Cost of Democracy) – reflects reductions in spend	(21)	(21)	(21)	(21)	(21)
Members Allowances – reflects cessation of Standards Panel / Independent Members	(15)	(15)	(15)	(15)	(15)

Savings (cumulative)

APPENDIX C

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Contribution to Reserves - General balances are currently above the minimum level set out in Reserves and Balances Policy. This saving will reduce the Authority's ability to respond to additional risks / calls on balances in future years.	(200)	(200)	(200)	(200)	(200)
Contribution to Capital Programme Reserves - This will reduce the revenue funding available to support the capital programme over the medium term which will mean the programme will need to be reduced in scale and any major new schemes will either need to be self-financing or funded by grant.	(250)	(500)	(500)	(500)	(500)
Reduce provision for pay increases from 2% to 1.5% from 2016/17 - Risk that actual pay increases exceed provision necessitating further savings across the service. However given medium term outlook on public finances it is likely that public sector pay restraint will need to continue beyond 2015/16 on affordability grounds	(118)	(241)	(366)	(366)	(366)
Various reductions in corporate budgets to reflect reduced actual spend	(24)	(38)	(38)	(38)	(38)
Total non-Operational Savings	(1,179)	(1,555)	(1,728)	(1,728)	(1,728)

Phase 1 Savings					
To review the number of Home Safety visits carried out annually, targeting the most vulnerable in our community and, as a result of the reduction in incidents, a greater proportion to be undertaken by crews. This will enable a reduction in the number of CSAs by four (Savings £111,544) through redeployment and/or natural wastage, starting in 2014/15, and the enhancement of their role for specific and discrete community safety work through central management.	(114)	(114)	(114)	(114)	(114)

Savings (cumulative)

APPENDIX C

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Introduction of Locality Managers in Hastings and Brighton. This will reduce the number of Watch Managers by 8 with the remaining Locality Managers increasing their salary as a result by becoming Watch Manager B	(203)	(203)	(203)	(203)	(203)
Removal of the Arson and Incident Reduction Manager. This will reduce the establishment by one Station Manager A (42)	(50)	(50)	(50)	(50)	(50)
It is proposed that the existing 6 borough fire safety offices are combined to form 2 larger Business Safety offices. These will be the City and Lewes (based at Hove) and Rother, Hastings, Wealden and Eastbourne (based at Eastbourne) and will be centrally co-ordinated and managed through a service level agreement with Borough Commanders. This will reduce the establishment by 4 flexible duty officers at Station Manager A (FDS).	(153)	(153)	(153)	(153)	(153)
It is proposed to amend the current two watch system on day crewed duty system fire stations to a one watch system across a seven day week. This will reduce the operational establishment by either 15 or by 13 dependent upon decisions relating to Battle Fire Station, Hastings (Option 1), and the introduction of two day crewed plus stations at Uckfield and Lewes (see.....)	(372)	(372)	(372)	(372)	(372)
Total Phase 1 Savings	(892)	(892)	(892)	(892)	(892)

Phase 2 Savings					
Remove 1 firefighting appliance from The City, leaving 4 wholetime pumps crewed 24 hours a day. FA 05.06.14	(932)	(932)	(932)	(932)	(932)

Savings (cumulative)
APPENDIX C

	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Convert Battle Fire Station from day crewed to new one watch system, providing additional response to Hastings, remove RDS. FA 05.06.14. Revised to use retained cover from Battle to maintain crewing at weekends.	(107)	(107)	(107)	(107)	(107)
Introduce day crewed plus at Roedean and The Ridge fire stations. FA 05.06.14	0	0	0	0	0
Riding at Minimum'	(280)	(840)	(1,120)	(1,120)	(1,120)
Total Phase 2 Savings	(1,319)	(1,879)	(2,159)	(2,159)	(2,159)

Additional Savings					
Performance Management net savings IW post	(10)	(10)	(10)	(10)	(10)
Fuel	(85)	(85)	(85)	(85)	(85)
Special Projects Additional Redundancy	(14)	(14)	(14)	(14)	(14)
Maritime accommodation [NEW]	(3)	(3)	(3)	(3)	(3)
Reduction in SAP charges following the introduction of e-payslips [NEW]	(10)	(10)	(10)	(10)	(10)
Nationally agreed reduction in external audit fees [NEW]	(14)	(14)	(14)	(14)	(14)
Expected continuing savings from insurance premiums [NEW]	(18)	(18)	(18)	(18)	(18)
Expected continuing savings from members' allowances [NEW]	(11)	(11)	(11)	(11)	(11)
Communications: equipment & printing [NEW]	(30)	(30)	(30)	(30)	(30)
DFM contingency savings [NEW]	(18)	(18)	(18)	(18)	(18)
Total Additional Savings	(213)	(213)	(213)	(213)	(213)

Total cumulative savings	(4,909)	(5,918)	(6,371)	(6,371)	(6,371)
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Appendix D

FEES AND CHARGES

APPENDIX D

WITH EFFECT FROM 1 APRIL 2016

Fee	Existing Fees	New Fees
	2015/16 £	2016/17 £
The hiring of a major pumping appliance with crew per hour	279	282
The hiring of other pumping vehicles with crew per hour	224	227
The hire of hydraulic platforms or turntable ladders with crew per hour	301	305
Dry Riser:		0
Subsequent test at the owner's request		0
First Dry Riser	207	210
Additional Dry Risers	135	137
Interviews: *		0
Insurance Co Etc	135	137
After two hours	88	89
Copy of Petroleum Licences *	32	33
Copy plans *	37	38
Standby at Venue	279	282
Fire Investigation Report	300	303
Chemical Protection Suit	155	157
Commercial Training One day course (per person)	177	179
Commercial Training Customers Site (per Session)	595	599
Commercial Training Fire Talk (per session)	359	363
Inspection of Plans for Marriage Act 1994 *	114	116
Environmental search fees *	106	108

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

Overview

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

The main areas covered within the strategy are summarised below.

Property – Major Schemes

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

- **Newhaven Fire Station** – whilst this scheme completes in the current year (2015/16) it is retained within the strategy as retention values will remain post occupation and be subject to snagging or other outstanding works. The disposal of the Fort Road site is subject to discussion with public and voluntary sector partners, however, the Authority has agreed that disposal is the preferred option and have previously been advised of the approximate market value.
- **Preston Circus** – Over many years officers have been working with the Brighton & Hove City Council and other partners to maximise the practical use at the current site and discussions have been on-going, with a variety of options still to be considered and appraised. Consequently, there remains the need to budget approximately £420,000 over the next five years, within the General Property Strategy, to maintain existing facilities and services. However, other options may need to be explored, for example, increasing the current provision to undertake adaptations and more substantial refurbishment to ensure it remains fit for purpose, alternatively, the Authority may wish to explore partial disposal or rental to public or third sector entities. The Strategic Property Assets Collaboration in East Sussex Programme (SPACES) have identified a central Brighton location as being key to the future provision of collaborative workspace. There are a number of Partners, who as a result of their own property rationalisation programmes, may require space in this location for shared workspace. This would support the approach being taken by SPACES to make best use of existing strategically located operational sites, which as a result of their operational needs are in fixed locations, and the national remit to deliver greater efficiencies in the public estate. As part any future options appraisal, this opportunity should also be fully considered, prior to any major investment being made to the building.

- **Service HQ Disposal** – at its AGM the Authority agreed that the current HQ site would be disposed, subject to the detail and validation of the draft disposal strategy as presented. Since that time the Authority has considered a further report with various options in regard to disposal. These options will be likely to result in differing disposal values.
- **Service HQ Relocation** – at its AGM the Authority agreed with the recommendations set out in the Service HQ – Stage 3 Report to relocate to the Sussex Police site in Lewes. As part of this programme, there are identified capital costs of £650,000 which include; remodelling and refurbishment of two dispersal sites, Programme Management support to deliver the project, and one-off costs associated to document management solutions. These costs have been included within this report and are off-set by the anticipated capital receipt from the disposal of the existing SHQ site. The Heads of Terms are yet to be finalised and there remains an option in regard to financing the rental charge of space by way of a capital contribution, however, advice is being sought in regard to using capital in this way.

Property – General Schemes

This Strategy seeks to achieve property maintenance and improvements as identified by the most recent property condition survey undertaken in 2013. This informs us of the overall cost prioritisation of work and ensures that the building stock can be sustained in effective working order on a long term basis. It also reflects the capacity of the Estates Team to deliver the required day-to-day services effectively. This Strategy has identified that significant progress has been achieved with the previously identified investment schemes. Consequently, there have been changes to the current Capital Programme and changes to schemes starting in 2015/16 and beyond. One such scheme which is added to this Strategy is the Fire Training Units (FTU) at Service Training Centre. This facility remains a critical part of the Service and ensures that we maintain firefighter competency within the operational environment.

The fuel tanks and fuel management scheme which was identified as a strategic requirement within previous strategies has been placed on hold as a consequence of the sub-regional Integrated Transport Function (ITF) project led by the Emergency Services Collaborative Programme (ESCP), the Authority remain committed to this project. This will consider a collaborative means of purchasing, managing and storing fuel stock for emergency vehicles across the blue light partners.

Complementary to the wider Property Condition surveys, there are regular evaluations to assess future operational requirements within the context of the Integrated Risk Management Planning process, the Carbon Trust survey of energy usage, the Local Development Frameworks and Core Strategies for each of the planning authority areas, as well as the legal responsibilities of the Equality Act and other legislation such as the Control of Asbestos Regulations.

Information Management

The Information Management Strategy is currently undergoing a major review as the Authority seeks to implement a new model for its service delivery through the IMD Transformation Programme. The procurement process is underway and although this allows suppliers to present revenue and capital options it is too early, at this stage, to include any firm investment plans in this Strategy. The position will be reviewed once the procurement is complete.

Fleet and Equipment

The Authority has a rolling programme of replacing its vehicle fleet in line with its agreed lifing policy. This encompasses fire appliances (approximately 3 each year), aerial appliances, ancillary vehicles and the light fleet (cars and vans). The current IRMP Review of Prevention, Protection and Response will consider the volume and type of incidents across the Service area and map the prominent life and property risks with the type of equipment needed on front line appliances. This now includes the provision of two smaller appliances following the IRMP Phase 3 project. Any further outcomes from the IRMP Review will be reflected in future versions of this Strategy, or indeed may require agreement for variation to the Strategy.

The Technical Rescue Unit review is being undertaken by the Service Transformation Team and has yet to conclude with any clear recommendation. The timing of any outcome which impacts on capital (purchase or disposal) will clearly impact on this programme and will need to be reported as a variation should this occur after the ratification of the programme by the Authority at its budget setting meeting in February 2016.

Most equipment replacement is funded through our revenue budget, however, schemes can be considered for capital funding where they meet certain criteria.

Emergency Services Collaborative Partnership (ESCP)

The Authority is working with Surrey and Sussex Police, West Sussex and Surrey Fire & Rescue Services and SECamb to develop a Strategy for an Integrated Transport Function (ITF). The Partnership has been successful in securing £6.0m in grant funding from central government but has not yet developed a final business case. At this stage no capital investment implications have been identified for inclusion in this Strategy.

Detailed strategies for Property, IMD and Fleet and Engineering are available as separate documents.

Funding

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

- Capital Grant

General capital grant allocations from central government for fire authorities ended in 2014/15 and grant funding thereafter is on a wholly bid for basis. The Authority submitted two bids for 2015/16 however these were unsuccessful. We were successful in gaining £6.0m grant as part of the ESCP. We do not expect there to be any capital or transformation grant funding from DCLG as part of the 2016/17 Settlement.

- Partner Contributions

The Authority is increasingly engaged in collaborative working with other public sector partners, particularly other emergency services. This includes capital projects, and where the Authority is lead body for a scheme this may lead to partners making contributions towards the capital costs. The Newhaven Fire Station Scheme aims to deliver a community hub with office space with our partners, Lewes District Council and Sussex Police contributing £0.977m to the cost of the scheme.

- Capital Receipts

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The Government is consulting on new flexibilities for capital receipts generated between 2016-19 to be used to fund the revenue costs of transformation projects. Given the Authority's current position in terms of both funding of the capital programme (primarily through capital receipts) and the availability of one off revenue finance through its Reserves, then the new arrangements are unlikely to offer any benefit to the Authority. The position will be kept under review. The disposal of a number of the Authority's assets including all remaining service housing (as a result of the Rural Review in 2010), the site of the current Newhaven Fire Station (estimated at £0.515m in 2016/17) and the existing Service Headquarters (SHQ) (estimated at £2.38m in 2017/18) will be used to fund the capital strategy. As at 31 March 2016 it is estimated that there will be unapplied capital receipts of £6.382m (Capital Receipts Reserve) with the two receipts mentioned above to be added to this sum during 2016/17 and 2017/18. It is the Authority's current policy to use capital receipts to fund the capital programme before using the Capital Programme Reserve (which is a revenue reserve).

- **Revenue Contributions**

The Authority can make revenue contributions to the cost of its capital expenditure either direct from its revenue budget or from reserves earmarked for capital schemes. As at 31 March 2016 it is estimated that there will be a balance of £4.631m in the Capital Programme Reserve (CPR) and £0.75m in the BA Reserve. For a number of years there has been provision in the revenue budget to pay £1.0m each year into the CPR. As part of the savings proposals agreed in February 2014 this will reduce to £0.75m in 2016/17 and £0.5m in 2017/18. The Authority has also agreed to set aside additional funding from its revenue budget between 2016/17 and 2018/19 to help fund the costs of the capital programme in the absence of Government grant.

- **Prudential Borrowing**

The Authority can use prudential borrowing to fund capital expenditure spreading the cost over the life of the asset. Overall our total borrowing must be sustainable and affordable. Borrowing commits the Authority to a long term cost which has implication for our revenue budget. Broadly speaking every £1m of additional borrowing would add £100,000 of financing costs to the Authority's revenue budget. The Authority is not currently planning any new external borrowing during the life of this Strategy.

**MEDIUM TERM CAPITAL STRATEGY 2016/17-2020/21
SCHEME SUMMARY AND FUNDING**

Capital Programme Expenditure									
	Total Budget	Total Previous Year's Spend	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property – Major Schemes									
Crowborough Fire Station	997	980	17						17
Newhaven Fire Station	3,560	1,044	2,467	49					2,516
Day Crewed Plus – Roedean and The Ridge	1,855								0
Service HQ Relocation	650		118	532					650
Sub Total	7,062	2,024	2,602	581	0	0	0	0	3,183
Property – General Schemes									
General Schemes	2,976		110	705	595	594	569	280	2,853
Replacement Fuel Tanks	190				190	30			220
Sustainability	420		55	155	105	105			420
Sub Total	3,586	0	165	860	890	729	569	280	3,493
Information Management									
Sussex Control Centre	2,027	1,421	607	0	0	0	0	0	607
Fleet & Equipment									
Aerial Appliances	680						680		680
Fire Appliances	5,165		310	935	865	1,240	800	1,045	5,195
Ancillary Vehicles	1,457		26	556	200	300	282	110	1,474
Cars & Vans	1,321		230	185	230	276	228	192	1,341
BA & Ancillary Equipment	750			750					750
Sub Total	9,373	0	566	2,426	1,295	1,816	1,990	1,347	9,440
Total Expenditure	22,048	3,445	3,940	3,867	2,185	2,545	2,559	1,627	16,723

Funding	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Funding Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants							
Sussex Control Grant	607						607
Transformation Grant							0
Sub Total	607	0	0	0	0	0	607
Partner Contributions							
Newhaven – Lewes DC	477	8					485
Newhaven – Sussex Police	195	3					198
Sussex Safer Roads Partnership	10						10
Sub Total	682	11	0	0	0	0	693
Useable Reserves							
Capital Receipts Reserve	1,146	2,172	1,605	1,882	2,128	1,271	10,204
Capital Programme Reserve							0
Other Earmarked reserves		750					750
Capital grants & capital contributions Unapplied	123						123
Sub total	1,269	2,922	1,605	1,882	2,128	1,271	11,077
Revenue Contributions	1,087	495	341	232	0	0	2,155
Internal Borrowing	295	439	239	431	431	356	2,191
Total funding	3,940	3,867	2,185	2,545	2,559	1,627	16,723

Funding – Use of Reserves						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Reserve						
Opening Balance	4,361	6,382	4,725	5,500	3,618	1,490
Transfers In	3,167	515	2,380			
Transfers Out	1,146	2,172	1,605	1,882	2,128	1,271
Closing Balance	6,382	4,725	5,500	3,618	1,490	219
Capital Grant and Contributions Unapplied						
Opening Balance	123	0	0	0	0	0
Transfers In						
Transfers Out	123					
Closing Balance	0	0	0	0	0	0
Capital Programme Reserve						
Opening Balance	4,629	4,631	5,381	5,881	6,381	6,881
Transfers In	1,000	750	500	500	500	500
Transfers Out	998					
Closing Balance	4,631	5,381	5,881	6,381	6,881	7,381
Breathing Apparatus Reserve						
Opening Balance	750	750	0	0	0	0
Transfers In						
Transfers Out		750				
Closing Balance	750	0	0	0	0	0

Reserves and Balances Policy**Background**

This policy sets out the Authority's approach to reserves and balances. The policy has regard to LAAP Bulletin 99 'Local Authority Reserves and Balances', issued in July 2014.

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

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

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

Types of reserve

The Authority will maintain the following reserves:

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

Earmarked reserves will be maintained as follows:

- Improvement and Efficiency Reserve: to enable the Authority to develop its collaborative approach to service delivery and respond to priority areas for service improvement;
- Insurance Reserve: to enable to effective financial management of the cost of uninsured losses;
- Service reserves: funds set aside for specific purposes in respect of individual service business cases;
- Capital Programme Reserve: to support the provision of the capital infrastructure required to deliver the Authority's service priorities;
- Capital Receipts Reserve: capital receipts not yet applied to capital expenditure; and,
- Capital Grants and Capital Contributions Unapplied: capital grants and contributions from partners received but 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. Business cases will be considered by the Corporate Management Team and will be subject to the final approval of the Treasurer.

Use of reserves

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

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

Risk assessment to determine the adequacy of the General Reserve

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

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

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

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

- **Operational incident performance failure:** Non-insured costs of HSE and other investigations following a serious incident with serious implications for ESFRS, project team, ancillary costs and putting right the organisation (£1m).
- **Abnormal weather conditions:** A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs. A prolonged seasonal problem could easily generate additional costs of £200,000 in retained pay, overtime and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support qualifying expenditure in excess of 2% of Revenue Budget (£0.5m).
- **Pension 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. (£0.6m).
- **Staff severance and redundancy provisions:** In order to achieve the level of financial savings required in future years, it may be appropriate to agree additional business case savings in advance and, as a consequence, incur additional severance payments paid to staff that exceed the sums already put by in earmarked reserves (£0.25m).
- **Funding volatility resulting from Local Government Resources Review:** as a result of the Local Government Resource Review, including the Localisation of Council Tax Support Grant the Authority is exposed to potential increased volatility in two key income streams, business rates and council tax (£0.75m)
- **Unanticipated business or economic pressures:** The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier. Equally the Authority has a number of key ICT systems which were they to fail could require urgent external support or replacement equipment at short notice which could be costly for the Authority. There is also a risk of additional costs as a result of industrial action (£1m).

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

Proposal for the level of General Reserves

The assessment gives a preliminary figure of £5.55m (14.6%) on the net budget requirement of £37.985m in 2016/17. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate and pressure on budgets, it would seem appropriate to continue to maintain the minimum level of general reserves at 8% in line with the Authority's existing policy. This equates to £3.040m. Currently general balances (reserves) provision is projected to be above this level at £3.753m, so it is proposed that £0.700m is transferred into a new IMD Transformation Reserve (see further detail in later paragraphs).

Review of earmarked reserves

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

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

- **Improvement & Efficiency reserve:** This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver savings and respond to priority areas for service improvement. This includes support for the Authority’s Transformation Programme and any costs that may arise from it including redundancy payments. Collaborative projects are also being progressed with a number of potential partners many of which may require proportionate pump priming funding to realise future financial savings for all partners involved.
- **Insurance Reserve:** ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. However, the high cost of premiums required ESFRS to accept higher excess limits on fleet insurance and pay for the additional costs incurred up to the higher excess levels. This has actually proven to be financially beneficial and a similar review is now taking place for property excesses. The savings made are placed in this reserve to help offset years when higher claims may occur which have to be paid for internally.
- **Capital Programme Reserve:** to support the provision of the capital infrastructure required to deliver the Authority’s service priorities. Given that there could be potential additional capital implications both from the Changing the Service, Shaping our Future programme and the review of the IRMP and that Government Capital Grant funding is shifting from pro rata apportionment to “bid for” basis then it is important that this source of funding is maintained in the short to medium term. As part of the non-operational savings proposals the Authority has agreed to reduce the base budget contribution to this reserve to £500,000 per annum by 2018/19. In addition it is proposed to transfer £0.998m into the IMD Transformation Reserve; and
- **Budget Carry Forward –** this reserve is to allow the carry forward of underspends into the following financial year where projects have slipped or there are other outstanding financial commitments to be met. It is recommended that the balance of the reserve at not utilised during 2015/16 (£0.212m) which primarily relates to delayed IMD projects is transferred into the new IMD Transformation Reserve.
- **Capital Receipts Reserve:** capital receipts not yet applied to capital expenditure.
- **Capital Grants and Capital Contributions Unapplied:** capital grants and contributions from partners received but not yet applied to capital expenditure.

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

- 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 was expected to be completed in 2015/16 but is now delayed until 2016/17 as a result of the IMD Transformation Project.
- Breathing Apparatus: The renewal of breathing apparatus is on a life cycle basis, and significant costs are incurred at lifecycle replacement, due in 2016/17. Following a review this project has been included in the Capital Strategy and this reserve will be used to fund it.
- Mapping Solution a reserve to meet specific IT infrastructure for both ESFRS and the Sussex Control Centre which are not funded from the DCLG grant, and is expected to fully drawn down during 2016/17.
- Relocation expenses for staff vacating service housing: This reserve is no longer required as all service houses have been vacated and have been disposed of during 2015/16. It is recommended that the balance remaining (£0.090m) is transferred into the new IMD Transformation Reserve.
- Volunteers Scheme: the funding in this reserve has been fully drawn down. A further year's funding of £80,000 for 2016/17 will be provided from the Improvement & Efficiency Reserve whilst changes to the scheme to cover Sussex Police are implemented and future funding options explored.
- Sprinklers – as part of the 2014/15 budget the Authority approved £200,000 of funding to match fund the retrofitting of sprinklers in high risk / high rise residential premises. The unspent balance of this budget has been transferred into a reserve to fund projects planned for 2015/16 and 2016/17.
- Safer Business Training: this reserve holds the balance of income from the East Sussex Business Rate Pool which is to be used to fund Business Safety initiatives, in support of the Pool's aim to promote economic growth. It is expected that the balance will be drawn down in 2016/17.
- IMD Transformation Reserve: the Authority is in the process of outsourcing its IMD service delivery and it is anticipated that significant investment will be required in order to secure the necessary upgrading of its network, applications and devices. This reserve will also be used to fund any one off revenue costs of the implementation of the new IMD service. Clearer plans for the use of this reserve will be set out once the contract is let during 2016/17.

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

	31/03/2015 Balance £'000	2015/16 Projected Movements £'000	31/03/2016 Projected Balance £'000	2016/17 Projected Movements £'000	31/03/2017 Projected Balance £'000
Earmarked Reserve					
Improvement and Efficiency	2,109	(419)	1,690	(700)	990
Budget carry forward	484	(484)	0		0
Sprinklers	200	(87)	113	(113)	0
Insurance	249		249		249
Community Fire Safety Database	145	(10)	135	(135)	0
Breathing Apparatus	750		750	(750)	0
Mapping Solution	69	(69)	0	0	0
Relocation					
Expenses for Staff vacating service housing	90	(90)	0		0
Volunteers Scheme	84	(84)	0		0
Safer Business Training	0	52	52	(52)	0
IMD Transformation	0	2,000	2,000	(600)	1,400
Capital Programme reserve	4,629	2	4,631	750	5,381
Total Earmarked Reserves	8,809	811	9,620	(1,600)	8,020
General Fund	3,753	(700)	3,053		3,053
Total Revenue Reserves	12,562	111	12,673	(1,600)	11,703
Capital Receipts Reserve	4,361	2,021	6,382	(1,657)	4,725
Capital Grants & Contributions Unapplied	123	(123)	0		0
Total Useable Reserves	17,046	2,009	19,055	(3,257)	15,798

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2016/17

REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

NET BUDGET REQUIREMENT	£	£
		37,985,000.00
Forecast Business Rates retained	2,528,000.00	
Top Up grant	4,768,000.00	
Total Base Line funding	7,296,000.00	
Add Revenue Support Grant	6,196,000.00	
Total Grant funding (excluding transitional/freeze grant)	13,492,000.00	
Section 31 Grant Business Rates adjustment	103,000.00	
Previous Year's Surpluses/(Deficits)	150,000.00	
Total Council Tax required		24,240,000.00
Tax base	279,522.19	
Basic Council Tax (Band D equivalent)		86.72
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	57.81
Band B	7/9	67.45
Band C	8/9	77.08
Band D	9/9	86.72
Band E	11/9	105.99
Band F	13/9	125.26
Band G	15/9	144.53
Band H	18/9	173.44
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	85,711.60	7,432,910
Eastbourne	33,606.10	2,914,321
Hastings	24,678.00	2,140,076
Lewes	35,797.15	3,104,329
Rother	36,808.84	3,192,063
Wealden	62,920.50	5,456,466
	279,522.19	24,240,165

Establishment and payroll budget

Staffing

APPENDIX H

Staff Group	Establishment at 1 April 2016	Establishment at 31 March 2017	2016/17 Associated payroll cost budget
	Full time equivalent	Full time equivalent	£'000
Principal officers	4.0	4.0	671
Wholetime Firefighter	382.0	345.0	16,115
Retained Firefighter*	242.0	242.0	2,157
Mobilising staff	39.0	39.0	1,635
Support staff	136.2	141.0	5,787
Total	803.2	771.0	26,365

* Retained firefighters are not measured by FTEs, but by 'units' of which there are 242.0

EAST SUSSEX FIRE AUTHORITY

Panel: Policy & Resources
Date: 21 January 2016
Title of Report: Revenue Budget and Capital Programme Monitoring 2015/16
By: Chief Fire Officer and the Treasurer
Lead Officer: Warren Tricker, Head of Finance & Procurement

Background Papers: None

Appendices: Appendix 1: 2015/16 Revenue Budget – Functional Analysis
 Appendix 2: 2015/16 Revenue Budget – Subjective Analysis
 Appendix 3: 2015/16 Capital Budget Monitoring
 Appendix 4: All Years Capital Budget Monitoring (to 2019/20)
 Appendix 5: 2015/16 Reserves Projections
 Appendix 6: Monitoring of Savings 2015/16 - 2017/18
 Appendix 7: Investments as at 30 November 2015

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

PURPOSE OF REPORT: To report on issues arising from the monitoring of 2015/16 Revenue Budget and Capital Programme as at 30 November 2015.

EXECUTIVE SUMMARY: A combination of factors means there remain high levels of uncertainty in forecasting the year end position. The Revenue Budget outturn for 2015/16 is projected to be £350,000 underspent, previously reported to the Panel as a £216,000 underspend (Appendices 1 and 2). Of the projected net underspend of £350,000 there are a number of one-off underspends totalling £265,000 the result of fortuitous circumstances.

The overall Capital Programme is projected to be £149,000 underspent, previously reported to the Panel as a forecast £56,000 underspend. The current year's spending profile is projected to be underspent by £920,000, previously reported as a forecast £256,000 underspend (Appendices 3 and 4).

The Authority maintains Earmarked and General Reserves in order to assist it in managing its spending plans across financial years (Earmarked Reserves) and making provisions for the financial risks it faces (General Reserves). A summary of the current planned use of Reserves can be found at Appendix 5. Overall the forecast year end position is £3.2m higher than originally planned and this is primarily due to lower than expected draw down of earmarked reserves (£0.4m), higher than anticipated receipts from the sale of service housing (£0.5m) and slippage in the capital programme (£2.3m).

A total of £1,023,000 new savings have already been taken from the 2015/16 budget taking the total savings to £3,046,000. The Fire Authority approved on the 10 December 2015 alternative proposals and the projected shortfall for the year 2015/16 is £468,000 (Appendix 6).

RECOMMENDATION

The Panel is asked to note:

- (i) the projected 2015/16 Revenue Budget outturn;
- (ii) the projected Capital Programme outturn;
- (iii) the monitoring of savings taken in 2015/16;
- (iv) the current year investments; and
- (v) the current use of reserves.

1. **Introduction**

- 1.1 The financial information contained in this report is based upon enquiries as at 30 November 2015. The report discloses the main issues, material variances and changes to previously reported variances.
- 1.2 This is the third report to Members for 2015/16. Although further through the financial year there remain a number of uncertainties which make forecasting the year end position more difficult.

2. **Budget Outturn Summary**

- 2.1 The table below summarises the 2015/16 Revenue Budget and Capital Programme positions.

	Last report	This report	Movement
	£'000	£'000	£'000
Revenue (see paragraph 3)	(216)	(350)	(134)
Capital in year (see paragraph 5)	(256)	(920)	(664)

2.2 Of the projected net underspend of £350,000, there are a number of one-off underspends totalling £265,000, the result of fortuitous circumstances including the provision for Norman vs Cheshire £120,000, rebate on external audit fees of £14,000, unrequired funding for the part time workers ruling of £63,000 and operational lease rebates of £68,000.

3. **Revenue Budget Commentary**

3.1 **Service Delivery Response** – The budget is projected to be £14,000 overspent (£38,000 underspend reported to last P&R). The projection comprises £115,000 underspend on Retained Firefighters (previously £98,000 underspend) based on 7 months of activity. Underspends of £27,000 on Support staff within the directorate and £7,000 at Hastings on Equipment and Overtime (both as previously reported). There are forecast overspends on the Wholetime overtime budget of £50,000 (previously on target) based on 7 months of activity, the Business Rates of Crowborough Fire Station of £23,000 (as previously reported) and a projected overspend of £90,000 (previously £71,000 overspend) at SCC. This forecast includes the projected £45,000 spend on the level 4 accident investigation team which is currently being contained within Response budget. The cost of applying the revised calculation of sick pay due to RDS officers is £68,000 and is being funded from the Corporate Contingency.

3.2 **Community Safety** – Corporate Management Team (CMT) has agreed that any underspend on the Safer Business Training budget, funded from the Business Rates Pooling income, will be transferred to an Earmarked reserve and rolled forward to be spent in 2016/17. Originally set at £226,000 and increased to £231,000 the current forecast of the Service's share is £132,000. The budget manager has advised that £80,000 will be spent in 2015/16. The forecast balance of £52,000 is shown as a transfer to Earmarked Reserves in Appendix 5.

3.3 **Wholetime Pay & Pensions** – This budget is forecast to underspend by £120,000, (previously an overspend of £74,000).

3.3.1 The Wholetime pay budget is projected to overspend by £70,000 (previously on target). The projection takes into account the extra cost of RDS Firefighters on Wholetime contracts and the savings, accruing earlier than anticipated at Hove as Firefighters begin to leave before 1 April 2016.

3.3.2 A Pensions Provision has been created of £635,000 from the 2014/15 Revenue Budget for back dated employer's contributions relating to the impact of the Norman vs Cheshire case and an amount of £95,000 has been built into the base Revenue Budget. Calculations now indicate that not all the Provision will be required resulting in a one year only underspend of £120,000 (as previously reported). Forecasting total cost to the Service is difficult as actual employer pension costs will depend on employee contributions made and it has been estimated that 30% of scheme members will not benefit by making additional pension contributions. In addition a forecast underspend of £70,000 is attributed to the impact of the 2015 FPS.

3.4 **Special Projects** – There is a projected overspend of £21,000 (previously on target) on Special Projects that is a result of meeting, travel and accommodation associated with the on-going development of the SCC project.

- 3.5 **Estates** – The budget manager has advised of overspends on Business Rates for Service HQ following a revaluation and the costs associated with selling Service Houses in the region of £9,000. It is expected that the overspend can be absorbed within the Estates budget (as previously reported).
- 3.6 **IMD** – The budget manager has advised a forecast overspend relating to the extension of the 3tc contract for the whole financial year of £273,000 for which there is no budget. It is felt that this can be contained within the IMD budget as a result of forecast underspends relating to one-off project funding of £200,000, various line of business costs of £40,000, staffing of £20,000 and lower than expected fit out cost of the new Newhaven Fire Station of £10,000 (all as previously reported).
- 3.7 **Finance & Procurement** – The budget manager has advised that there will be an underspend of £74,000 (previously reported as a £89,000 underspend). This comprises £26,000 for Financial Services and SAP (previously £41,000 underspend), £14,000 External Audit and £34,000 on Insurance. The External Audit and Insurance may be offered up as savings when the 2016/17 budget is set, however the Summer 2015 Budget announcement to increase Insurance Premium Tax (IPT) from 6% to 9.5% from premiums due after 1 November 2015 will put an estimated pressure on the 2016/17 Insurance budget of £16,000.
- 3.8 **Performance Management** – The budget manager has advised that there will be an underspend of £10,000 (previously on target). The £10,000 was identified within the budget to be spent on a new Communications intranet, but with new IMD work being frozen due to the transformation programme this will not be spent. The budget manager will be requesting that the underspend be carried forward.
- 3.9 **Central budget** – The central budget is projected to underspend by £63,000 (previously on target). Estimated spend of £82,000 was accrued in the previous financial year for the outcome of the judgement on Part Time Workers Regulations and with settlements now agreed, only £19,000 has been required.

4. **Monitoring of Savings**

- 4.1 Appendix 6 shows in full all the cumulative savings that make up the 2015/16 Revenue budget and are included in the Medium Term Financial Plan. Only those savings where there are issues or significant risks are shown separately. In the 2015/16 budget, new savings of £1,023,000 have been taken; £158,000 SCC savings, £10,000 non-operational savings, £674,000 Phase 1 and £107,000 Phase 2 savings and £74,000 additional savings. The forecast shortfall is £468,000 in 2015/16 before falling to £52,000 thereafter.
- 4.2 The current Sussex Control Room arrangements continue to require the support of the existing control room mobilising software although off-set in part by a reduced cost from the new provider. The net position is currently forecast as a £254,000 shortfall and is being contained within the IMD budget.

- 4.3 The introduction of Locality Managers has been achieved in Hastings but delayed in the City as a result of the extension of the Day Crew Plus consultation and complications of the work towards reaching the required establishment at Hove by 1 April 2016. With the suspension of Day Crew Plus and the acceptance of alternative savings proposals the Day Crew Plus savings have now been removed from the savings schedule and the Locality Manager saving reduced from £324,000 to £203,000 from 2016/17.
- 4.4 It has been agreed to replace the old two Watch system on Day Crewed Duty System fire stations to a revised two Watch system, across a seven day week. This does reduce the operational establishment but the shortfall over the original proposal is the result of the proposal to reduce Watch Manager and Crew Manager posts being rejected in favour of a reduction in Firefighter posts. Current establishment on each of the five stations is now 12, a reduction of 2 Firefighter posts per station. This has resulted in a £52,000 shortfall in this saving.
- 4.5 It was agreed by the Fire Authority at its meeting on 10 December 2015 that the alternative savings proposal Riding at a Minimum be accepted. There is no impact on the 2015/16 revenue budget.

5. **Capital Budget & Programme Commentary**

- 5.1 **Sussex Control Facility** – The Scheme is complete with the exception of the retained sum which has been estimated at £25,000. No other invoices are due which leaves a forecast underspend of £92,000 (as previously reported).
- 5.2 **Property General Schemes** – Problems with the boilers at Eastbourne Fire Station have resulted in the unexpected requirement to replace them. The 2015/16 Capital Programme has been varied by £42,000 so that the work originally programmed for 2017/18 can be completed in the current financial year. The increase in 2015/16 is off-set by the reduction in 2017/18. Overall the difficulty in appointing a Capital Projects Manager has meant delay in most of the schemes with a forecast underspend in year of £319,000 and an overall underspend of £123,000 (both previously on target).
- 5.3 **Capital Programme Replacement of Fuel Tanks** – The project manager has advised that this scheme is now ‘on hold’ awaiting the outcome of the ESCP collaborative fuel project and will result in an underspend in 2015/16 as the project slips of £190,000. The costs are now forecast to be higher overall by £30,000 (both previously on target).
- 5.4 **Capital Programme Sustainability Scheme** – The project manager has advised of a potential underspending in the current year of £155,000 (previously on target) due to the timing of the recruitment of the Capital Projects Manager role with payments slipping into future years.
- 5.5 **Fire Appliances** – The cost of fire appliances is expected to be £30,000 higher than budget, with the final stage payment of £200,000 forecast to be made in 2016/17 resulting in an in-year underspend of £170,000 (as previously reported). This is due to a higher specification to meet operational requirements in the City as a result of the removal of the Appliance at Hove in April 2016. It is expected that overall overspend can be met from underspends elsewhere in the Capital Programme in 2015/16.

5.6 **Cars and Vans** –The provision of two cars for the Sussex Safer Road Partnership will result on a forecast £20,000 overspend (previously £6,000 overspend). The Community Safety budget manager has agreed to fund £10,000 from the Community Safety revenue budget and seek a contribution of the remaining £10,000 from the SSRP.

5.7 **Ancillary Vehicles** - The project manager has advised a forecast underspend of £14,000 (previously on target) as a result of an underspend on swift water and rope rescue vehicles. The Capital Programme has been varied by £10,000 for the Sussex Safer Roads Partnership (SSRP) have agreement to fund the balance of the purchase of a new Firebike less the proceeds from the sale of the existing vehicle.

6. **Reserves**

6.1 The table in Appendix 5 shows the planned use of reserves for 2015/16 including the 2014/15 underspend. Overall the forecast year end position is £3.2m higher than originally planned and this is primary due to lower than expected draw down of earmarked reserves (£0.4m), higher than anticipated receipts from the sale of service housing (£0.5m) and slippage in / changes to the capital programme (£2.3m).

7. **Borrowing and Investment**

7.1 The budget is forecast to be £118,000 underspent (previously £25,000). As at 30 November 2015 the Authority held cash balances of £21.448m which were invested as set out in Appendix 7, in accordance with the Treasury Management Strategy. It is projected that there will be a surplus over budget of interest receivable of £50,000. Up to 2012 the Service leased some of its vehicles. As a result of changes to Corporation Tax in the Finance Act 2014 the terms of the Service's lease agreement require the lease rentals to be amended so the benefit is passed to the Service by the lessor. Three refunds have been received totalling £68,000.

8. **Potential Risks**

8.1 **Pensions** – There is £233,000 built into the base budget for the impact of the RDS Modified Pension Scheme which, depending on the level of uptake, may result in a saving. This area is complex with a great number of transactions. The formalities were completed in December 2015 and analysis of the impact on the budget has now commenced.

8.2 **Holiday Pay** – Following the outcome of the Employment Appeal Tribunal Bear Scotland vs Fulton and conjoined cases, a budget pressure has arisen. The impact was initially estimated at £45,000 per year but may be less as greater clarity over the application of the ruling to the types of overtime worked is achieved. CMT has agreed an interim approach to pay a supplement on overtime payments and consultation with representative bodies is ongoing.

East Sussex Fire Authority
2015/16 Revenue Budget – Functional Analysis

Appendix 1

	Original Budget	Revised Budget	Projected Outturn	Variance	Variance	Variance- last report
	£'000	£'000	£'000	£'000	%	£'000
Service Delivery Response	5,418	4,813	4,827	14	0.3	(38)
Service Delivery Community Risk Management	490	741	741			
Service Delivery Business Safety	345	661	661			
Operational Pay & Pensions	17,532	17,581	17,461	(120)	(0.7)	(74)
Service Delivery	23,785	23,796	23,690	(106)	(0.4)	(112)
Service Support Estates	1,297	1,306	1,306			
Service Support IMD	2,922	3,149	3,149			
Service Support Fleet	1,607	1,620	1,620			
Service Support Special Projects Team	128	128	149	21	16.4	
Service Support	5,954	6,203	6,224	21	0.3	0
POD HR	721	721	721			
POD L&OD	1,712	1,343	1,343			10
People & Organisational Development	2,433	2,064	2,064	0	0	10
Cost of Democracy	173	163	163			
Additional cost of Industrial action	0		0			
Corporate Management	1,116	1,060	1,060			
Finance & Procurement	1,971	1,991	1,917	(74)	(3.7)	(89)
Performance Management	202	755	745	(10)	(1.3)	
Net Financing Costs	884	884	766	(118)	(13.3)	(25)
Central	22	65	2	(63)		
Corporate	4,368	4,918	4,653	(265)	(5.4)	(114)
CERA	1,087	1,097	1,097			
Transfer To/From Reserves	0	(597)	(597)			
Transfer To/From Reserves	1,000	1,052	1,052			
Total Net Expenditure	38,627	38,533	38,183	(350)	(0.9)	(216)
Financed By:						
Council Tax	(23,170)	(23,170)	(23,170)			
Business Rates	(7,290)	(7,196)	(7,196)			
Revenue Support Grant	(7,514)	(7,514)	(7,514)			
S31 Grants	(276)	(276)	(276)			
Collection Fund Surplus/Deficit	(377)	(377)	(377)			
Total Financing	(38,627)	(38,533)	(38,533)	0	0	0
Total Over / (Under) Spend	0	0	(350)	(350)	(0.9)	(216)

East Sussex Fire Authority
2015/16 Revenue Budget – Subjective Analysis

Appendix 2

	Original Budget	Revised Budget	Projected Outturn	Variance	Variance	Variance- last report
	£'000	£'000	£'000	£'000	%	£'000
Salaries, Allowances and On-costs	27,624	27,625	27,500	(125)	(0.5)	(140)
Training Expenses	560	552	552			
Other Employees Costs	84	411	348	(63)	(15.3)	
Employee Costs	28,268	28,588	28,400	(188)	(0.6)	(140)
Repair, Maintenance and Other Costs	1,047	1,047	1047			
Utility Costs	1,161	1,161	1184	23	1.9	23
Premises Costs	2,208	2,208	2,231	23	1.0	23
Vehicle Repairs and Running costs	956	967	933	(34)	(3.5)	(34)
Travel Allowances and Expenses	138	140	140	0	0	
Transport Costs	1,094	1,107	1,073	(34)	(3.5)	(34)
Equipment and Supplies	1,293	2,062	2,069	7	0.3	
Fees and Services	1,600	1,791	1,751	(40)	2.2	(43)
Communications and Computing	2,613	1,647	1,647			
Other Supplies and Services	581	506	506		7.1	3
Supplies and Services	6,087	6,006	5,973	(33)	0.5	(40)
Minimum Revenue Provision	445	445	445			
Interest Payments	510	510	510			
Capital Financing	955	955	955	0	0	0
Grants and Contributions	(486)	(498)	(498)			
Interest Received	(75)	(75)	(100)	(25)	(33.3)	(25)
Other Income	(1,511)	(1,310)	(1,403)	(93)	(7.1)	
Income	(2,072)	(1,883)	(2,001)	(118)	(6.4)	(25)
CERA	1,087	1,097	1,097			
Transfers From reserves		(597)	(597)			
Transfers To reserves	1,000	1,052	1,052			
Total Net Expenditure	38627	38,533	38,183	(350)	(0.9)	(216)
Financed By:						
Council Tax	(23,170)	(23,170)	(23,170)			
Business Rates	(7,290)	(7,196)	(7,196)			
Revenue Support Grant	(7,514)	(7,514)	(7,514)			
S31 Grants	(276)	(276)	(276)			
Collection Fund Surplus/Deficit Council Tax	(377)	(377)	(377)			
Total Financing	(38,627)	(38,533)	(38,533)	0	0	0
Total Over / (Under) Spend	0	0	(350)	(350)	(0.9)	(216)

Capital Scheme	Original Budget	Revised Budget	Projected Outturn	Variance	Variance	Variance Last Report
	£'000	£'000	£'000	£'000	%	£'000
Property Major Schemes						
Crowborough Refurbishment	0	17	17			
Newhaven Fire Station	2,783	2,467	2,467			
Sussex Control Facility		93	1	(92)	(98.9)	(92)
Day Crewed Plus – Roedean & the Ridge	1,637					
Service HQ Relocation	0	118	118			
Subtotal	4,420	2,695	2,603	(92)	(3.4)	(92)
Property General Schemes						
General Schemes	345	429	110	(319)	(74.4)	
Replacement Fuel Tanks	190	190	0	(190)	(100.0)	
Sustainability	210	210	55	(155)	(73.8)	
Subtotal	745	829	165	(664)	(80.1)	
Information Management						
IMD Strategy SCC	0	607	607	0	0.0	0
Fleet & Equipment						
Fire Appliances	480	480	310	(170)	(35.4)	(170)
Ancillary Vehicles	30	40	26	(14)	(35)	
Cars & Vans	180	210	230	20	9.5	6
Subtotal	690	730	566	(164)	(22.4)	(164)
Total	5,855	4,861	3,941	(920)	(18.9)	(256)

Capital Scheme	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last Report £'000
Property Major Schemes						
Crowborough Refurbishment	1,005	997	997			
Newhaven Fire Station	3,560	3,560	3,560			
Sussex Control Facility	1,100	1,100	1,008	(92)	(8.4)	(92)
Day Crewed Plus – Roedean & the Ridge	1,855					
Service HQ Relocation	0	650	650			
Subtotal	7,520	6,307	9,215	(92)	(1.5)	(92)
Property General Schemes						
General Schemes	2,595	2,595	2,472	(123)	(4.7)	
Replacement Fuel Tanks	190	190	220	30	15.8	
Sustainability	420	420	420			
Subtotal	3,205	3,205	3,112	(93)	(2.9)	
Information Management						
IMD Strategy SCC	2,027	2,027	2,027	0	0	
Fleet & Equipment						
Fire Appliances	3,835	3,826	3,856	30	0.8	30
Aerial Appliances	680	680	680			
Ancillary Vehicles	1,044	1,058	1,044	(14)	(1.3)	
Cars & Vans	1,461	1,457	1,477	20	1.3	6
BA & Ancillary Equipment	750	750	750			
Subtotal	7,770	7,771	7,807	36	0.5	36
Total	20,522	19,310	19,161	(149)	(0.8)	(56)

Description	Opening Balance 01/04/15 £'000	2015/16	2015/16	2015/16	2015/16	Projected Closing Balance 31/03/2016 £'000
		Original Transfers In £'000	Original Transfers Out £'000	Projected Transfers In £'000	Projected Transfers Out £'000	
Earmarked Reserves						
Improvement and Efficiency	2,109		(700)		(419)	1,690
Budget Carry Forward	484		(484)		(272)	212
Sprinklers	200		(200)		(87)	113
Insurance	249					249
Community Fire Safety	145		(145)		(10)	135
Breathing Apparatus	750					750
Mapping Solution	69		(69)		(69)	0
Relocation Expenses (Staff Vacating Houses)	90		(90)			90
Volunteers Scheme	84		(84)		(84)	0
Safer Business Training	0			52		52
Capital Programme Reserve	4,629	1,000		1,000		5,629
Total Earmarked Reserves	8,809	1,000	(1,772)	1,052	(941)	8,920
General Fund	3,753					3,753
Total Revenue Reserves	12,562	1,000	(1,772)	1,052	(941)	12,673
Capital Receipts Reserve	4,361	2,652	(3,743)	3,100	(1,146)	6,315
Capital Grants and Capital Contributions unapplied	123		(123)		(123)	0
Total Capital Reserves	4,484	2,652	(3,866)	3,100	(1,269)	6,315
Total Usable Reserves	17,046	3,652	(5,638)	4,152	(2,210)	18,988

Medium Term Financial Plan Forecast of Useable Reserves

	31/03/15 £'000	31/03/16 £'000	31/03/17 £'000	31/03/18 £'000	31/03/19 £'000	31/03/20 £'000
Earmarked Reserves	8,809	8,920	7,337	7,128	7,058	6,857
General Balance	3,753	3,753	3,753	3,753	3,753	3,753
Capital Reserves	4,484	6,315	4,751	5,650	3,536	1,408
Total Usable Reserves	17,046	18,988	15,841	16,531	14,347	12,018

Monitoring of Savings 2015/16 - 2017/18

Summary showing Changing the Service Phases 1 and 2 and other operational savings

Ref		Budget			Current Forecast			Variance		
		2015/16 £'000	2016/17 £'000	2017/18 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
	Phase 1 Savings									
5	Locality Managers Move to revised watch system on Day Crewed Stations	(324)	(203)	(203)	(162)	(203)	(203)	162	0	0
6	All other Phase 1 savings	(145)	(317)	(317)	(145)	(317)	(317)	0	0	0
	Total Phase 1 Savings	(893)	(944)	(944)	(679)	(892)	(892)	214	52	52
	Phase 2 Savings									
3	Day Crewed Plus Riding at Minimum (alternative proposal to Day Crewed plus)	0	0	0	0	0	0	0	0	0
	All other Phase 2 savings	(107)	(1,039)	(1,039)	(107)	(1,039)	(1,039)	0	0	0
	Total Phase 2 Savings	(107)	(1,319)	(1,879)	(107)	(1,319)	(1,879)	0	0	0
	Sussex Control Centre	(474)	(474)	(474)	(220)	(474)	(474)	254	0	0
	Total Facing the Challenge	(419)	(494)	(567)	(419)	(494)	(567)	0	0	0
	Total deferred savings	(339)	(339)	(339)	(339)	(339)	(339)	0	0	0
	Total non-operational savings	(740)	(1,179)	(1,555)	(740)	(1,179)	(1,555)	0	0	0
	Total additional savings	(74)	(74)	(74)	(74)	(74)	(74)	0	0	0
	Total all other savings	(2,046)	(2,560)	(3,009)	(1,792)	(2,560)	(3,009)	254	0	0
	Total Savings	(3,046)	(4,823)	(5,832)	(2,578)	(4,771)	(5,780)	468	52	52

**East Sussex Fire Authority
Investment as at 30 November 2015**

Appendix 7

Counterparty	Type	Amount £'000	Term	Rate %
Lloyds/HBOS	Fixed Term	2,000	6 months	0.70
Lloyds/HBOS	Fixed Term	2,000	12 months	1.00
Santander	Notice	4,000	95 days	0.90
Barclays	Notice	3,000	100 days	0.67
Standard Life	MMF	3,000	Overnight	Variable
Insight	MMF	3,000	Overnight	Variable
Deutsche Bank	MMF	3,000	Overnight	Variable
JPM		1,448	Overnight	Variable
Total Current Investments		21,448		

EAST SUSSEX FIRE AUTHORITY

Panel: Policy & Resources

Date: 21 January 2016

Title of Report: Emergency Services Mobile Communications Programme (ESMCP) Update

By: Chief Fire Officer

Lead Officer: Mark Rist, Strategic Program Support Officer

Background Papers: ESFA – Scrutiny & Audit Panel Paper Item 002 – Emergency Services Mobile Communications Programme (November 2015)

Appendices: Appendix 1 – ESMCP Fire & Rescue Authorities Financial Information Sign Off Pack

Implications:

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

PURPOSE OF REPORT: To advise the Panel that DCLG has issued the East Sussex Fire Authority with the Emergency Services Mobile Communications Programme (ESMCP) Fire & Rescue Authorities Financial Information and Sign Off Pack.

To advise the Panel that the DCLG now requires the Authority to confirm by 25 March 2016 its intention to either participate in ESMCP or to make alternative communications arrangements.

RECOMMENDATIONS: The Panel is asked to:

- i) Note the significant risks the Authority would be exposed to by not participating in the ESMCP;
- ii) Authorise the Chief Fire Officer to send a return to the DCLG to commit the Authority to participation in the ESMCP; and
- iii) Note the indicative costs and project management requirements associated with participation in ESMCP and authorise the Chief Fire Officer to seek collaboration with partner authorities within the region to ensure efficient and cost effective delivery of the program.

1. **INTRODUCTION**

- 1.1 The ESMCP outline business case was approved by the Government in April 2014; this allowed the programme to formally enter the procurement stage.
- 1.2 The DCLG has now delivered the ESMCP Fire & Rescue Authorities Financial Information and Sign Off Pack.
- 1.3 This includes a spreadsheet of indicative savings which the DCLG believes will be realised by ESFA through participation in ESMCP. The figures have not been verified, however it is noted that the Government commits to an overall cost saving.
- 1.4 In the report the DCLG asks the Authority to confirm its participation in the ESMCP by 25 March 2016. It goes on to detail the various risks and benefits to the Authority of participation or non-participation.
- 1.5 The report makes it clear that participation is not mandatory but that DCLG is keen to encourage participation to ensure that Fire Authorities achieve maximum cost savings and are able to participate fully in national resilience.

2. **ISSUES TO NOTE**

- 2.1 Whilst the ESMCP Fire & Rescue Authorities Financial Information and Sign Off Pack details the financial rational for adoption of ESMCP as well as the risks to an authority of not participating in the program, there remain a number of issues for which resolution is still required. The figures provided for ESFRS would appear to be illustrative and do not relate to the current level of cost of Airwave and the government grant support. It may be that the savings stated relate to a reduction in the existing New Burdens government grant that the Authority is in receipt of.

- 2.2 These include the possible requirement for the Control Room to achieve compliance with the Public Services Network (PSN) code of connection as opposed to the standards currently required for connection with Airwave. PSN would potentially be more time consuming and costly to achieve for the Authority.
- 2.3 It should be noted that discussions around PSN and the ESMCP are separate from the Service's desire to achieve PSN compliance as part of the IMD Transformation Program.
- 2.4 The procurement requirements in the main Lot 2 (ESN user services) include the delivery of a control room interface to provide access to the public safety communication services, and to support integration of three emergency service control room systems (supplied by third party vendors) with this interface. It is still not clear whether funding will be provided for the work needed to integrate the ICCS/SAN-H to the interface being provided.
- 2.5 The Programme is currently investigating delivery options with the PSN team in Government Digital Service, to identify how best to meet requirements for security, resilience, capacity and quality of service.
- 2.6 There is the potential to incur costs for alterations to the SCC building as a result of the ESMCP. Once these can be estimated appropriate revenue or capital funding will need to be agreed. It is expected that this will be a shared cost under the S16 agreement with WSFRS.
- 2.7 The DCLG contract with Airwave was originally set to expire on 31 December 2016, however, following negotiations, DCLG has enacted the 3 year extension to the Firelink contract. This will extend the service received from Airwave from 31 December 2016 to 31 December 2019 in line with the planned timetable for ESMCP and thereby provide fire and rescue services with continuity of service during the transition window. The extension years will continue to be subject to RPI increases and DCLG will continue to meet its New Burdens obligations during this period. The grant allocation for 2015/16 is £160,463 for ESFRS.
- 2.8 As indicated in the November 2015 report to the Scrutiny & Audit Panel, the Service currently estimates the need for staffing in the order 8.75 fte to be used for various durations over the three year term of the project.
- 2.9 Provision was made in the revenue budget, £30,000 2015/16 and £50,000 in 2016/17 and 2017/18, to meet some of the internal costs associated with ESMCP. If the budget for 2015/16 is unspent a bid will be made against the underspend to carry this amount forward into 2016/17.
- 2.10 Officers are working with partner agencies in the south/south east sub region to seek a common approach to implementation which may include joint project management and mobilisation capacity.

3. **OUT OF SCOPE**

- 3.1 The following are currently known to be out of scope for the national ESMCP project:
- Officer pagers and firefighter alerters – these will continue to be provided by the Service's IMD function.
 - Fireground radios – the Service is progressing a capital project to change fireground hand-held radios; this will deliver new devices in 2016/17.
 - Changing vehicle based devices – the current fixed SAN A radio is installed into vehicles, however, the selection of hand held devices will be a future decision for ESFRS, with choice based on availability within the ESMCP 'devices catalogue'. However, there remains a question about what will be funded should we decide to change. If your choice of hand held device is lower in value than the direct replacement for a SAN A then this may not be challenged by DCLG, however, where it is more costly then this remains uncertain – this has been raised as an issue via the SE Fire Customer lead officer for consideration by the Fire Customer Group.

4. **FINANCIAL IMPLICATIONS**

- 4.1 The central programme funding for the national programme is being provided by DCLG in the form of the ESMCP Programme. The programme team have previously advised that the ESN will be 'affordable' and there will be 'cost reductions compared to current services'.
- 4.2 The attached DCLG report includes a savings schedule which indicates a saving to the Authority. These figures have not been verified or the method of calculation confirmed by DCLG. However, if implemented as the DCLG see fit as per the Financial Information and Sign Off Pack, the Authority should suffer no additional financial burden.
- 4.3 Discussions have already commenced with DCLG in regard to New Burdens funding and the apportionment of costs for ESMCP to each FRA. The discussions with DCLG have, therefore, sought to consider how any savings might create an incentive to share knowledge and resources and not simply see them used to reduce cost locally.
- 4.4 It is known that DCLG will cover the transition costs resulting from the purchase and installation of additional equipment alongside existing equipment (subject to further decision regarding PSN and ICCS/SAN H – see above) and any building works required to make this happen, however, FRAs will not know the full detail of such costs (revenue and capital) – this is expected within the current financial year.

- 4.5 In addition to the transition costs there is currently no indication of any potential funding models for Fire & Rescue Services to consider. This needs to be a factor in any decisions made on future provision of the ESN. At this time it appears that DCLG sees this as a Service issue and so funding for additional staff is unlikely to be made available.
- 4.6 These comments and the issues raised in section 2 of the report reflect the fact that there continues to be uncertainty about the likely one off cost to the Authority of the ESMCP and extent of any ongoing savings. Further clarification will be required to allow the Authority to properly reflect the impact of the ESMCP in its revenue budget and capital programme.

5. **PROGRAMME TIMELINES**

- 5.1 The following timescales have been published by the central programme team:
- OJEU and PQQ issued April 2014
 - ITT (invitation to tender) issued August 2014
 - ITT returned end of October and early November 2014
 - Full business case approval in summer 2015
 - Contract award late summer 2015
 - Service commencement early 2017
 - Transition to ESN between 2017 and 2019

6. **SUMMARY**

- 6.1 The attached DCLG report indicates the scale of savings that the Department believes would be achieved by ESFA should it chose to participate in the ESMP program.
- 6.2 Whilst participation is not mandatory, there would be significant risks for the Authority should it chose not to commit to the ESMCP project. The Service should seek to offset some of the potential project management capacity and cost issues associated with implementation through collaborative working in the sub region.
- 6.3 Senior managers should continue to monitor progress with ESMCP and report to the Authority as significant new details emerges.

**Emergency Services
Mobile Communications
Programme (ESMCP)**

**Fire and Rescue
Authorities Financial
Information and Sign Off
Pack**

East Sussex FRA

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1.0 Introduction

- 1.1 The purpose of this pack is to provide Fire and Rescue Authorities (FRAs) with the information they require to make an informed decision about their participation in the Emergency Services Mobile Communications Programme (ESMCP) which will deliver a new Emergency Services Network (ESN.)
- 1.2 DCLG has committed to provide all reasonable transition funding for FRAs moving on to ESN. This process will begin with the mobilisation phase in spring 2016. As such, before significant funding is provided to FRAs, DCLG requires Chief Fire Officers (or appropriate individuals) to provide them with a signed commitment that they would like to take up the new service (see Annex A.)
- 1.3 The Pack provides summary information about the Programme rationale and its benefits for the fire service from both an operational and financial perspective. In particular this pack:
- Provides an explanation of the Programme's transition and steady states and the financial implications involved
 - Provides an indication about the likely costs for your FRA of the ESN through its steady state up to 2032
 - Highlights where there may be scope for additional efficiencies by FRAs
 - Demonstrates that the potential alternatives to participation in ESMCP carry significant risks for FRAs both from a financial and operational perspective
 - Asks FRAs to provide the Department for Communities and Local Government (DCLG) with a decision about whether your FRA intends to participate in the ESMCP going forward.
- 1.4 DCLG believes that the ESMCP provides the best solution for updating and enhancing the Fire Service's emergency communications system. From a financial perspective it is cheaper overall when compared to Firelink costs, saving the Fire Service some £80m up to 2032. In addition the ESMCP allows Fire and Rescue Services (FRSs) to make further efficiencies by reconfiguring data and connections to suit their specific needs and by deciding on the scale and timing of device refresh. Further savings are likely to be made in the future as the new ESN is linked to commercial providers and as such retenders will take place in a competitive environment rather via a monopoly provider (as is the case at the moment.) Furthermore DCLG will support FRSs with the cost of transition, removing a potentially costly barrier. From an operational perspective DCLG believes the new system will be more interoperable, resilient and will support data functions better than the current system. It will also be better able to respond to innovations in the mobile communications market as it is linked to commercial providers.

2.0 Assumptions

- 2.1 This paper uses a number of assumptions to calculate the annual costs of ESN for your individual FRA. It is important to stress that the figures within this pack are indicative. Whilst we believe that the figures in this pack provide a good representation of the likely costs involved, in reality the final figures for an FRA will depend on a range of local decisions (such as configuration of data and connections and device refresh.)
- 2.2 The assumptions within this pack (such as the timeline for transition and the costs for Airwave) derive from the Programme's Full Business Case. If you would like to discuss these assumptions, please do not hesitate to contact the DCLG Policy Team at chris.hall@communities.gsi.gov.uk.
- 2.3 The figures for devices, connections and vehicle installations and fit-outs have been derived from the As-Is2 survey which the Home Office collected in April 2014. Whilst DCLG believes that this survey gives a good indication of costs, we understand that some changes are likely to occur (or have occurred) before mobilisation begins in 2016. The Programme will undertake a more up to date survey prior during spring 2016.

3.0 ESMCP Background

- 3.1 ESMCP is a cross-government programme to replace the existing mobile communications service for the three emergency services (Firelink for the FRS) with a new commercial system based on 4G.
- 3.2 Overall the objectives of ESMCP are to be:
- **Better** with integrated broadband data services; public service functionality; national coverage and high availability.
 - **Smarter** to be more flexible, to evolve and improve over time, pay only for features required by users.
 - **Cheaper** to address budget pressures, re-competed regularly to leverage market forces.
- 3.3 There are three strategic drivers that are influencing the scope and timing of ESMCP's development. These are that:
- Current contracts for the three services (provided by Airwave) expire between 2016 and 2020 and cannot readily be extended. As such there will be no Airwave Firelink service from 2020 meaning that now is a good time to procure an alternative system.

- The current Airwave Firelink service is already significantly more expensive than similar public safety systems in Europe and price trends for publically available mobile telephony.
- Users within the three emergency services are increasing requiring broadband data (not just voice communications) to support operational transformation. This cannot be met by current Airwave technologies.

3.4 The intended scope of ESMCP will include 44 police forces, 50 fire and rescue services (including those in Scotland and Wales) and 13 Ambulance Trusts. A range of other civil contingency user organisations will also join ESMCP as second tier users. Overall this means that the system is likely to have approximately 300,000 users.

3.5 FRS transition on to the new ESN is due to begin with the mobilisation phase in 2016 and will be complete by January 2020 by which time all FRSs will be in a steady state. The steady state will last until the end of the financial year 2032 by which point a retendering of the contracts will have taken place.

3.6 DCLG recognises that Fire communications systems continue to be the responsibility of each individual FRA. However central government has a strong interest in ensuring that the country is fully prepared to deal with civil contingency issues. As such the Government believes that it is important to have in place a communications system that enables inter-working across boundaries and between the three emergency services. Furthermore the Government believes it is important to ensure that emergency services communications are robust and resilient, using the latest technology to aid the delivery of a more effective service.

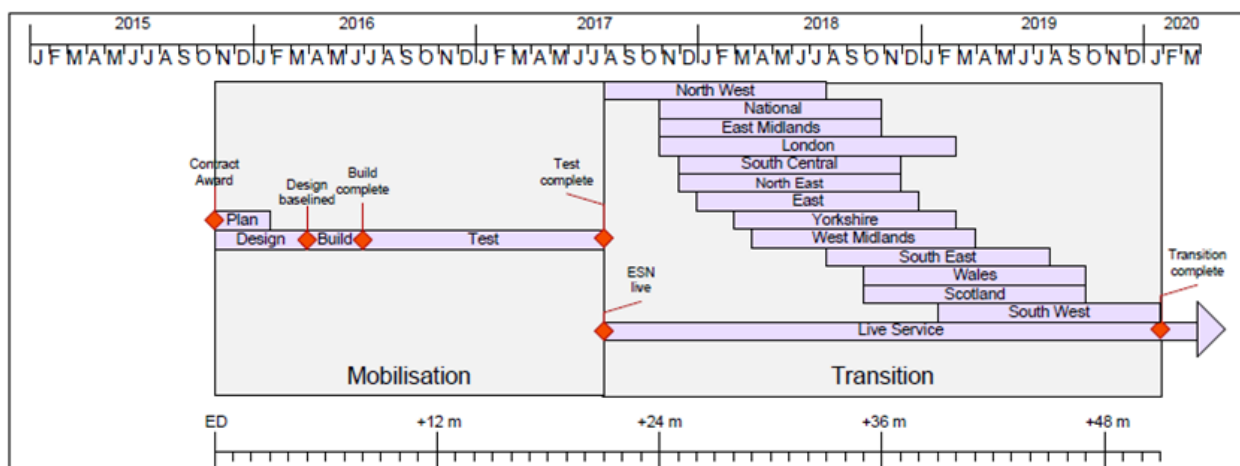
3.7 As such, whilst DCLG is currently not mandating take up of ESMCP, it is strongly recommending that FRAs sign up to the system, both from a financial perspective (the fire service as a whole stands to make significant savings of approximately £80m) but also from an operational perspective.

4.0 The Financial Rationale

4.1 The delivery and realisation of the new Emergency Services Network via ESMCP will take place in two major stages. These will be a transition stage whereby FRSs will prepare for and undertake the switch to ESN and the steady state stage whereby FRSs will be fully utilising the ESN.

Transition Stage

4.2 The table below provides an indicative timetable regarding how and when the mobilisation and transition process will operate.



4.3 As with many significant change programmes, ESMCP will incur some significant transition costs as Fire Services move from one communications system to another. In order to help achieve a smooth and effective transition, DCLG has made a commitment to support FRAs in the cost of transition. Whilst we are not yet in a position to confirm funding on an individual basis, a total of £50.4m will be made available to FRAs to fund transition.

4.4 Details regarding the individual costs of transition will be provided over the first two quarters of 2016. However as DCLG requires a commitment from FRAs prior to providing transition funding, it was deemed prudent provide the indicative costs at the earliest opportunity.

4.5 During their transition FRAs will continue to pay the costs of Firelink (and receive the associated New Burdens Grant) until the point at which they have completed transition and no longer require a connection to Airwave (except for interworking in instances of mutual aid.) Once an FRS has completed its transition it will then begin paying for the ESN service, benefitting from the greater functionality this provides, and in most cases, a lower cost. It is therefore in a FRA's interest to facilitate a timely completion of transition in order to benefit from reduced costs of ESN. There will be no period when an FRA will be paying for both Airwave and ESN.

4.6 DCLG will provide funding for:

4.7 Local Transition Support – DCLG has previously agreed with Fire Customer Group the funding for Local Transition Support. This includes roles such as local project managers, control room managers and training. We would encourage local collaboration within transition regions and would welcome a lead authority model. Grant Payment would be made on an annual basis by Section 31.

4.8 Control Rooms and PSN – Due to the degree of variation in Control Room solutions, as part of the future control room scheme, and therefore the path for upgrade required for ESMCP, it is appreciated that there is not likely to be any simple, one size fits all calculation for splitting transition grant. As such, it is our intention to request bids for control room upgrades, based on quotes received following engagement with suppliers, in the new year with a view to agree funding at the appropriate stage. FRAs and Control Room Partnerships would be expected to make reasonable bids, with a focus on completing all control room upgrades required to deliver ESN functionality by commencement of transition.

4.9 Vehicle Installations – DCLG and the Programme have made an estimate on the anticipated cost for Vehicle Installations. We would propose to fund FRAs (proportionately) on the basis of the number of Fire Appliances. FRAs who intend to collaborate on vehicle installations will then have the flexibility to combine pots or appoint a lead authority.

4.10 Devices – DCLG has committed to fund ESMCP devices, however we also want to encourage flexibility for local decision making within Fire and Rescue Authorities. As such we would seek to provide funds to FRAs for the replacement of existing devices, based on the Programme's calculations. Local FRAs would have the flexibility to purchase from the Device Catalogue at the cost level and in volumes they wish. DCLG will only be providing funding for devices during the transition stage. Individual FRAs will have the flexibility to determine their own device refresh in steady state (although the indicative costs provided in this paper include a full refresh taking place over a five/six year period.)

4.11 Regional Implementation Managers – In addition to the above funding for Local Transition Support the Department will be funding a Regional Implementation Manager for each of the 10 Regions in England. They will be required to coordinate the transition of FRS and they will be responsible for monitoring and ensuring the core elements of the programme are delivered locally, but not the Non-Core (Vehicle Fit outs, Devices, Control Room upgrades).

4.12 Over the next few months DCLG will put in place a process for receiving bids for Control Room and PSN upgrades, with a view to begin receiving bids in 2016. For the other elements of Transition Funding we would intend to work with the Programme and Delivery Partner to confirm how many vehicle fit-outs and replacement devices (either Handheld or Vehicle) are required.

Steady State Stage

4.13 Overall the Programme estimates that ESN will produce at least an £80m saving to English Fire and Rescue Authorities nationally between 2020 and 2032. This indicates a strong value for money case for ESN. Furthermore the vast majority of FRAs will make a saving on the costs they were paying for the Airwave system. As such, DCLG believes that this saving combined with the support for transition costs makes a compelling case for FRA sign up.

4.14 However, there are a few FRAs (usually those authorities that have enjoyed generous subsidies for Airwave) who will see their individual costs rise. In most of these cases, FRAs will only see a small rise, however for a few it may be more significant.

4.15 There is however scope within the programme for an FRA to make efficiencies which will reduce their individual bill – meeting a long term wish of FRSs which have had fixed-price bills under Firelink. Non-Core costs (i.e. those for connections and data usage) are locally driven. In other words, an FRA will only pay for what they use. As such there may be scope to make savings on data and connection charges by reconfiguring devices to suit the specific needs of a particular fire service. Furthermore, the scale and timing of any device refresh will be up to individual services (the model at 5.0 provides for a full refresh of devices in the steady state, the cost of which would fall to the FRS.)

4.16 In order to help those FRAs that will see their individual costs rise, an element of tapering has been included within the modelling/indicative costs for the Core element on a declining basis (75%, 50%, 25%) for the first 3 years of ESN. This will mean that those FRAs affected by higher costs will not see a sudden rise but rather a gradual increase.

5.0 The Indicative Financial Figures for your FRA

Indicative ESN Costs to East Sussex FRA

Indicative Airwave Costs to East Sussex FRA over same period – [Please note Airwave cannot continue post Dec-2020 at the latest]

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Core	£-	£35,317	£53,867	£55,849	£62,792	£67,621	£69,017	£70,607	£72,230	£73,886	£75,576	£77,301	£79,062	£79,636
Data	£-	£10,274	£15,530	£15,672	£15,622	£15,622	£15,622	£15,622	£15,622	£15,622	£15,622	£15,622	£15,622	£15,622
Devices	£-	£-	£-	£-	£4,866	£11,250	£2,671	£42,001	£31,221	£10,287	£12,421	£1,599	£-	£-
Total	£-	£45,591	£69,397	£71,522	£83,279	£94,493	£87,310	£128,230	£119,072	£99,794	£103,619	£94,522	£94,684	£95,257
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Airwave	£-	£133,624	£220,869	£225,287	£229,792	£234,388	£239,076	£243,858	£248,735	£253,709	£258,784	£263,959	£269,238	£274,623

Indicative Net Saving/Cost to East Sussex FRA

	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Net Saving / Cost of ESN	£-	£(88,033)	£(151,472)	£(153,765)	£(146,513)	£(139,896)	£(151,766)	£(115,628)	£(129,663)	£(153,915)	£(155,165)	£(169,438)	£(174,555)	£(179,366)

6.0 Issues with Alternatives to ESMCP

6.1 Whilst DCLG is currently not mandating the take up of ESMCP, it is strongly recommending that FRAs sign up to the system both from a financial and operational perspective.

6.2 The Government considered a range of options for updating emergency service communications as part of the Outline Business Case for ESMCP (these are summarised at **Annex B**.) The result of this options analysis was that ESMCP (an enhanced commercial Long-Term Evolution network) provided a compelling case going forward. ESMCP will provide a system that is:

- Robust, interoperable and contains data capabilities
- Smart in that it only charges only for what is used
- Cheaper overall than the existing system
- Contains scope for future efficiencies as it is linked to a commercial system.

6.3 In deciding whether to go ahead with ESMCP, FRAs will need to be aware that maintaining the status quo Airwave system will not be an option. Airwave is due to come to an end in 2019 (with scope for a further one year contractual extension until 31 December 2020) As such a change in communication system will need to take place regardless of whether an FRA decides to sign up to ESMCP or not.

6.4 Furthermore it will be important in making a decision about ESMCP that FRAs which have a formal relationship with other FRAs (such as the sharing of a Control Room) ensure that they have regard to what their partner organisations intentions are and the potential impact that this might have on future working relationships.

6.5 DCLG believes that ESMCP offers the best communications system going forward. As such DCLG will only contribute to transition costs for FRAs moving onto ESMCP as a Tier 1 user. It will not provide any support to FRAs wishing to choose alternative methods of communications.

6.6 The table below highlights a variety of alternatives to ESMCP and an explanation regarding why the Government believes they are not viable when compared to the benefits that ESCMP will bring.

Option	Potential Issues
<p>Do Nothing (Continuation of Airwave)</p>	<ul style="list-style-type: none"> • DCLG’s current contract with Airwave runs out at the end of 2019 (with a possible extension to end of 2020) • As such the Fire Service will need to re-procure a communications service whether or not they are part of ESMCP. • Even if we could continue with Airwave, we would have to incur the higher costs associated with a monopoly provider. • In addition the Airwave system is becoming increasingly outdated – as it is based on voice rather than data communications which are increasingly used by Fire Services.
<p>Procure own 4G Network for your FRA</p>	<ul style="list-style-type: none"> • Likely to be more expensive than joining ESMCP which provides a 4G network and has gained cost efficiencies by negotiating on behalf of a wide range of users. • If provided by an organisation that is different to the ESMCP provider, the network is unlikely to be interoperable with other ESMCP users • The FRA would be responsible for its own procurement and delivery. This risks not having completed the transition to a new system by the time Airwave Firelink contacts end in 2019 or 2020
<p>Become a Tier 2 User within the Programme*</p>	<ul style="list-style-type: none"> • Likely to be more expensive for the FRA over the long term as connection and costs will be higher for Tier 2 users. • There will be no DCLG financial support available for undertaking this option • Will have no influence over Control Rooms going forward • Will need to assess the impact of the relationship with other FRAs with whom they have a formal relationship.
<p>Procure your own Radio (Tetra) System or Revert to Existing Legacy System</p>	<ul style="list-style-type: none"> • There is no guarantee that the procurement and delivery of a new system will be cheaper for an FRA than ESMCP participation • These systems will not be interoperable with other fire services or organisations other using the Emergency Service Network (ESN)

- There may be resilience issues if coverage is not as good as the new ESN (which will be at least as good as Airwave)
- There will be no financial support from DCLG either for transition or steady state
- Broadband provision will be included. This is increasingly being used for fire services and so an alternative solution will need to be found.
- This system will not be future proofed to take advantage of a developing commercial 4G market.
- The impact on formal Relationships with other FRAs that are using ESN will need to be addressed.

* Apart from the 3ES, there are a significant number of government and other public safety users totalling over 300 organisations all with individual ASL contracts, known as sharers. Under the current ESMCP model these organisations will be known as Tier 2 organisations.

7.0 FRA Required Response to DCLG

7.1 DCLG will require a formal response from each FRA's Chief Fire Officer regarding whether or not they intend to migrate onto the new Emergency Services Network as part of the ESMCP. This will allow DCLG to have the assurance it needs to be able to distribute the required funding for transition in line with the Programme timescales.

7.2 A draft confirmation letter to be signed and returned to DCLG is attached at **Annex A**. In order to ensure that payments are made promptly we would ask that DCLG receive this letter no later than Friday 25th March 2016.

8.0 Next Steps

8.1 Between January and March 2016 members of the ESMCP Policy Team within DCLG shall arrange a number of meetings with FRAs around the country to discuss their particular ESMCP figures. If you feel that your FRA would benefit from such a conversation or if you have any specific queries about this pack or the sign off procedure, please contact Chris Hall at chris.hall@communities.gsi.gov.uk.

8.2 As noted at paragraph 7.2, DCLG require the signed response letter by Friday 25th March 2016.

8.3 Following FRA sign up to ESMCP, DCLG will make the appropriate funding payments via a Section 31 grant (subject to legal/financial approvals), in time for the transition arrangements.

Annex A – Sign Off Emails for DCLG

- DCLG has committed to provide all reasonable transition funding for FRAs moving on to ESN. This will begin with the mobilisation phase in spring 2016. As such, before significant funding is provided, DCLG requires Chief Fire Officers (or appropriate individuals) to provide them with a commitment that they would like to take up the new service.
- If your FRA would like to proceed with ESMCP we would be grateful if your Chief Fire Officer (or appropriate person) could sign, scan and email the statement below to DCLG's Policy Official at chris.hall@communities.gsi.gov.uk by 25th March 2016.
- Alternatively if your FRA does not wish to sign up to the new network, we would be grateful if you could sign, scan and email the alternative statement below to DCLG at the same email address.

Confirmation of Transition to the Emergency Services Network

I can confirm that East Sussex FRA will transition on to the new Emergency Services Network via the Emergency Services Mobile Communications Programme (ESMCP). I understand that the Department for Communities and Local Government (DCLG) will provide all reasonable transition funding for the Programme between 2016 and 2019.

Signed
Chief Fire Officer - East Sussex FRA

Date.....

Rejection of the Emergency Services Network

I can confirm that East Sussex FRA will not transition on to the new Emergency Services Network via the Emergency Services Mobile Communications Programme (ESMCP).

Signed
Chief Fire Officer - East Sussex FRA

Date.....

Annex B - Overview of Options for Replacement of Emergency Services Communications.

Economic Option	Description
Option1 – Do Nothing	Existing Airwave contracts naturally expire. No central involvement in procurement of replacement services.
Option 2– Continue with a TETRA network (Do minimum)	Procure a private TETRA network with public safety voice and narrow-band data augmented by locally-procured operational broadband data services. This requires 400MHz spectrum which is not available until 2020
Option 3 –Build a new private LTE network	Procure a private LTE network with public safety voice and broadband data services. This requires 700MHz spectrum which is unlikely to be available until 2020
Option 4 – Enhanced Commercial LTE Service*	Transition to a commercial LTE network when Airwave contracts expire. Additional procurement of necessary public safety features to enhance the network

*From the ESMCP Outline Business Case – “The cost benefit analysis concludes that Option 4 is the preferred option on the basis that it represents the highest Net Present Value. Option 4 also provides the most non-financial benefits and critically delivers the non-financial benefits of interoperability required to meet the Programme’s objectives”