EAST SUSSEX FIRE AUTHORITY

POLICY & RESOURCES PANEL

THURSDAY 3 NOVEMBER 2016 at 10:45

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 10:45 hours, or at the conclusion of the meeting of the Scrutiny & Audit Panel, whichever is the later.

AGENDA

Item No.	Page No.	
027.	1	In relation to matters on the agenda, seek declarations of any disclosable pecuniary interests under Section 30 of the Localism Act 2011.
028.	1	Apologies for Absence.
029.	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).
030.	3	Non-confidential Minutes of the last Policy & Resources Panel meeting held on 7 July 2016 (copy attached).

Item No.	Page No.	
031.	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.
032.	7.	Revenue Budget and Capital Programme Monitoring 2016/17 – joint report of the Chief Fire Officer and Assistant Director Resources / Treasurer (copy attached).
033.	21.	Treasury Management – Half Year Review for 2016/17 – report of the Assistant Director Resources / Treasurer (copy attached).
034.	39.	Contributions from Development Schemes – report of the Deputy Chief Fire Officer (copy attached).
035.	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

Agenda Item No. 030

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 10.00 hours on Thursday 7 July 2016.

Members Present: Councillors Barnes, Howson (Chair), Lambert and Pragnell.

Councillor Taylor was in attendance and was invited to sit at the table during the meeting.

In attendance:
Mr. G. Walsh (Chief Fire Officer), Ms. D Whittaker (Deputy Chief Fire Officer), Mr. M. Andrews (Assistant Chief Fire Officer), Miss L. Woodley (Deputy Monitoring Officer), Mr. D. Savage (Assistant Director Resources / Treasurer), Mrs L. Ridley (Assistant Director Planning & Improvement) and Mrs. K. Ward (Clerk).

019. **DISCLOSABLE PECUNIARY INTERESTS**

019.1 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.

020. **ELECTION OF CHAIRMAN**

020.1 **RESOLVED** – That Councillor Howson be elected Chairman of the Panel for the year.

021. **APOLOGIES FOR ABSENCE**

021.1 Apologies were received from Councillor O'Quinn.

022. **ANY OTHER NON-EXEMPT ITEMS CONSIDERED URGENT BY THE CHAIRMAN**

022.1 There were none.

023. **NON-CONFIDENTIAL MINUTES OF THE POLICY & RESOURCES PANEL MEETING HELD ON 26 MAY 2016**

023.1 **RESOLVED** – That the minutes of the meeting held on 26 May 2016 be approved as a correct record and signed by the Chairman. (Copy in Minute Book).

024. **CALLOVER**

024.1 Members reserved the following item for debate:
025. Emergency Services Collaboration Programme – Integrated Transport Function – Fuel Project

025. **EMERGENCY SERVICES COLLABORATION PROGRAMME – INTEGRATED TRANSPORT FUNCTION – FUEL PROJECT**

025.1 The Panel considered a report of the Chief Fire Officer that updated Members on the integrated fuel collaboration project and sought support to progress with the development of this project through the Integrated Transport Function (ITF) of the Emergency Services Collaboration Programme (ESCP). (Copy in minute book).

025.2 The emergency services partners (East Sussex Fire & Rescue Service, West Sussex Fire & Rescue Service, Surrey Fire & Rescue Service, Surrey and Sussex Police) across Surrey and Sussex were working together across a wide range of activities, and the integrated transport function to improve the efficiency and effectiveness of operations was the first of a number of projects to emerge.

025.3 In order to facilitate this, and as a first step, the Panel was asked to agree to ESFRS becoming part of an integrated vehicle fuel system process across partners, funded by £0.4m from the Fire Transformation Fund grant. This would enable ESFRS vehicles to access bulk fuel across Sussex and Surrey partner sites, realising savings against the costs of purchasing fuel from commercial forecourts.

025.4 The proposals were put forward with a view to maintaining or enhancing resilience, which would include maintaining sufficient reserve stock levels, enabling 24/7 access at more sites, and enhancing chain management.

025.5 Councillor Barnes asked whether the savings would offset the costs. The Treasurer advised that the proposals had come about at a timely moment as the funding from the Fire Transformation Fund would support the one-off costs of the project and running costs in the first two years. This would cover the cost of the replacement of all of the Authority’s existing fuel tanks which would, in principle, allow us to release the funding included for a similar scheme in the Capital Programme. The business case identified a small increase in revenue costs for the Authority from year 3 but there was an agreement in principle that no partner would be worse off as a result of the ITF. In reality, the Authority would likely have incurred a higher ongoing revenue cost if it had moved to digital dispensing on its own.

025.6 Councillor Lambert felt the proposal was a sensible one but enquired as to whether the savings ratio had been determined. Officers advised that, although the details had been agreed in principle, more discussions were required to work out the finer detail.

025.7 **RESOLVED** –That

(i) agreement for ESFRS to join the next stage of the ITF fuel project by becoming part of an integrated vehicle fuel system be approved;
(ii) the implementation and first two years of maintenance costs to be covered by the use of a proportion of the DCLG Fire Transformation Fund grant funding received by the ESCP be noted and approved;

(iii) the maintenance costs from Year 3 onwards, based on the agreement within the ESCP that any negative impact on an individual Service's budget would be mitigated wherever possible by redistribution of the savings achieved by some, or all, of the other partners, be noted and accepted; and

(iv) the equipment, once installed through a transfer of assets procedure, be accepted.

026. **EXCLUSION OF PRESS AND PUBLIC**

026.1 There were no items that, in view of the business to be transacted or the nature of the proceedings, would result in disclosure of exempt information, and which required the exclusion of the press and public.

The meeting concluded at 10.15 hours.

Signed Chairman

Dated this 3rd day of November 2016

Agenda Item No. 032

EAST SUSSEX FIRE AUTHORITY

Panel:	Policy & Resources
Date:	3 November 2016
Title of Report:	Revenue Budget and Capital Programme Monitoring 2016/17
By:	Chief Fire Officer and Assistant Director Resources / Treasurer
Lead Officer:	Warren Tricker – Finance Manager

Background Papers: None

Appendices:

Appendix 1: 2016/17 Revenue Budget – Objective Analysis
Appendix 2: 2016/17 Revenue Budget – Safer Communities Analysis
Appendix 3: 2016/17 Capital Budget Monitoring
Appendix 4: All Years Capital Budget Monitoring (to 2020/21)
Appendix 5: 2016/17 Reserves Projections
Appendix 6: Monitoring of Savings 2016/17 – 2018/19
Appendix 7: Investment as at 30 September 2016

Implications:

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 the 2016/17 Revenue Budget and Capital Programme as at 30 September 2016.

EXECUTIVE SUMMARY

The Revenue Budget is forecast to be underspent by £262,000 (previously £47,000 underspent). This significant movement is mainly due to the combination of a revised forecast following the devolution of firefighter pay and pension employer's contributions and the acknowledgement that the establishment of the Programme Management Office has slipped.

The overall Capital Programme is projected to be £13,000 underspent (as previously reported), however, there is a risk that the current year's spending profile may slip for some schemes (Appendices 3 and 4).

The Authority maintains Earmarked and General Reserves in order to assist it in managing its spending plans across financial year (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.

A summary of the savings, £1,864,000, already taken from the 2016/17 budget, is set out in Appendix 6.

RECOMMENDATION

The Panel is asked to note:

(i) the risks to and the projected Revenue Budget underspend;
(ii) the projected underspend in the Capital Programme;
(iii) the use of reserves;
(iv) the monitoring of savings taken in 2016/17; and
(v) the current year investments.

---

1. INTRODUCTION

1.1 The financial information contained in this report is based upon enquiries as at 30 September 2016. The report discloses the main risks, issues and material variances.

	Last CFA report	This P&R report	Movement
	£'000	£'000	£'000
Revenue (see paragraph 2)	(47)	(262)	(215)
Capital in year (see para 5)	(27)	(27)	0

1.2 This is the first report to the Policy & Resources Panel for 2016/17; the first Revenue Budget and Capital Monitoring report for 2016/17 went to the Fire Authority meeting on 8 September 2016. With more data available, projections can begin to be made with increased confidence. Wholetime pay and pensions budgets are delegated to the functional area and work is continuing at the detailed level in conjunction with budget holders and HR managers.

1.3 This report highlights risks to the 2016/17 Revenue Budget that may result in significant change to the projections. While certainty increases as the year progresses, circumstances change and new risks arise and this report considers the risks faced. There may be elements, both internal and external, that will influence the final position.

2. REVENUE BUDGET COMMENTARY

2.1 **Safer Communities:** a projected underspend of £203,000 (previously £130,000 underspend) following an in-depth analysis carried out by the acting Assistant Director Safer Communities, with support from finance and HR, on all the Wholetime budgets and associated Firefighters' pension employers contributions. Members requested an analysis of the Safer Communities budget and this is included at Appendix 2.

2.1.1 **Borough Commanders:** There is a projected underspend of £62,000, comprising a projected overspend on overtime (based on 5 months' data) of £56,000 and wholetime pay of £132,000 and a projected underspend on firefighters' pension employer's contributions of £250,000. Work continues with the acting AD Safer Communities to review planned operational strength for the remainder of the financial year, including the delivery of Riding at Standard savings and the impact of long term absences and internal secondments. This will enable a more robust forecast to be reported for 2016/17, and any impact on the 2017/18 budget to be clearly identified and reported.

2.1.2 **Retained Duty System pay:** This budget is projected to be underspent in the region of £46,000 (previously £130,000 underspent). The projection is based on 5 months' of activity and takes into account the previously agreed budget transfers for the Lewes RDS Support Officer and vehicle and now allows for the settlement of Prevention of Less Favourable Treatment Regulations 2000 for RDS public holiday pay. It has to be noted that this budget is demand-led and has the potential to be volatile.

2.1.3 **Community Safety:** This budget is forecast to be underspent by £73,000. The underspend relates to vacant posts.

2.1.4 **Business Safety:** This budget is forecast to be underspent by £22,000. The underspend is due to unfilled vacant posts and takes into account the additional costs relating to business safety investigation work.

2.2 **Operational Support and Resilience:** This Directorate is forecast to be £153,000 overspent (previously £68,000 overspent). The projected overspend relates to SCC £89,000 (see paragraph 2.2.1 below), and a number of pressures on the staffing budget, £64,000.

2.2.1 **Sussex Control:** The Sussex Control Centre budget remains under pressure as a result of the continued operation of two mobilising systems, and the previous year's overall overspend of £126,000 can be expected to be replicated. Current projections support this with the East Sussex share of the 2016/17 position estimated as an overspend of £89,000 (previously £68,000 overspent). The budget continues to be under pressure on the staff and staff-related costs budget with some underspending in ICT budgets.

2.3 **Training and Assurance:** This budget is projected to be £9,000 underspent. Surrey FRS has previously used the Service Training Centre for training, for which a charge of £25,000 per year was made. Surrey have reviewed their position and have chosen to withdraw from this arrangement this financial year, meaning that the income will not be received. Whilst we are currently reporting a small underspend, the spend profile over a number of years has seen a spike in the last quarter, therefore, there is a risk that the position may change.

2.4 **Resources/Treasurer:** This budget is projected to be £5,000 overspent (previously £40,000 overspent). There is a projected overspend of £40,000 on the uniforms budget (as previously reported) and £50,000 projected underspend on the expected charge from East Sussex County Council for Financial Services and SAP. There is a surplus on income from the Home Office FireLink Grant of £10,000, and a shortfall of £25,000 on Mast Rental income.

2.5 **Planning and Improvement:** The budget manager has reported an underspend of £183,000 (previously £25,000 underspent). The underspend comprises £49,000 on the IRMP budget; £11,000 has been committed for this year's consultation plan (previously £25,000 underspent) which is due to the phasing of the IRMP. The review of attendance standards and subsequent staff and public consultation will take place in year 1 of the plan and a carry forward of £25,000 will be requested to meet this commitment going forward. There is a forecast £134,000 underspend on the PMO budgets, with an appointment now expected to be made in quarter 3.

2.6 **Corporate Contingency:** This budget is intended to provide some flexibility for CMT to manage in year budget pressures and was set at £270,200 for 2016/17. With £51,000 already transferred out, and £379,000 added as a result of the in-year savings from the Senior Management Restructure and overprovision for pay awards, the uncommitted budget currently stands at £383,000. It is highlighted that for this forecast the Corporate Contingency is assumed to be spent in full.

3. REVENUE BUDGET RISKS

3.1 **New Dimensions Grant:** Following the transfer from DCLG to the Home Office only the first six months of the grant has been confirmed. Informal indications have been given that the whole year will be honoured but this does indicate that future years may not be secure. The full year value of this grant is £47,586 in 2016/17.

3.2 **IMD:** Work will now commence on the IMD budget to reflect the financial model for the new outsourced delivery contract and assess a number of pressures relating to staffing costs and support for IMD Transformation, and this will be reflected in the next report to Members. As agreed by the Urgency Panel, funding to support the costs of IMD Transformation will be drawn down from the earmarked reserves.

3.3 **Estates:** The Estates Manager has advised that the favoured structure for the disposal of 20 Upperton Road will result in agents' fees of approximately £30,000; CMT has agreed to use the Corporate Contingency to absorb this cost pressure.

4. **MONITORING OF SAVINGS**

4.1 Appendix 5 shows the savings required to be made in 2016/17 and the following two financial years. This illustrates the levels of savings that need to be achieved in those years, rather than the cumulative savings including those already achieved.

4.2 The overall number of wholetime firefighters (including those employed in all Directorates) continues to be above the budgeted level. The expected number of operational officers is budgeted to fall from 376 at the start of the financial year (including the reductions from Hove) to 345 by the end of the year. The table below shows the number of wholetime firefighters paid from April to date, allowing for the five seconded officers where costs are fully recovered:

Month	Number paid
April	388
May	373
June	374
July	369
August	369
September	364

4.3 Following further work with the Assistant Director Safer Communities it is anticipated that the reduction of 14 posts for the Riding at Standard savings can be achieved by the year end. Clearly there remain other pressures on the operational establishment (see paragraph 2.1.1 above).

5. **CAPITAL PROGRAMME COMMENTARY**

5.1 Service HQ relocation: The Project Board has considered a report that identifies that the initial cost estimates may be exceeded. The position cannot be forecast with any certainty until contracts are let so, at this stage, the potential overspend of circa £50,000 remains a risk.

5.2 All other schemes remain as previously reported.

6. **RESERVES**

6.1 The table in Appendix 4 shows the planned use of reserves for 2016/17; it takes into account the 2015/16 unaudited underspend. The planned transfer into the Improvement & Efficiency (I&E) earmarked reserve is the 2016/17 Transition Grant.

6.2 To date, the following have been transferred into the Revenue Budget: Preston Circus feasibility studies £25,000, Safe & Well Practitioners £61,000, Volunteers' Funding £80,000, Wealden Road Safety £12,700 and £25,000. Now that the Support Service Review Phase 1 is complete, £25,000 will be transferred from the I&E earmarked reserve to fund this Review.

6.3 At the Fire Authority meeting on 8 September 2016, Members agreed to use the I&E earmarked reserve to fund the IECR pilot start-up costs, and the IMD Transformation earmarked reserve for the ICT costs associated with the HQ relocation.

6.4 At this point there is no indication of any other changes in the planned use of reserves, other than should the Capital Programme underspend in 2016/17 the use of the Capital Receipts Reserve will decrease in the same period.

7. BORROWING AND INVESTMENT

7.1 As at 30 September 2016, the Authority held cash balances of £23.1m which were invested as set out in Appendix 6 in accordance with the Treasury Management Strategy. Following the reduction in the base rate to 0.25% we have seen reductions in the rates earned on both our bank deposits and money market funds, with some advisers expecting to see further reductions during the year. This makes it difficult to accurately forecast the outturn on the Treasury Management budget but, at this stage, we expect a surplus over budget of £25,000.

7.2 The investment table, Appendix 7 shows an investment of £3,100,000 with Deutsche Bank who, it has been reported in the news, the United States authorities may issue large fines to. ESFRS has no direct investment with Deutsche Bank but uses a Money Market Fund (MMF) which is completely ring fenced from the bank. Deutsche Bank has no call on the investments held within the MMF which, overall, stands at circa £8bn.

Appendix 1

East Sussex Fire Authority
2016/17 Revenue Budget – Objective Analysis

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last report £'000
Training and Assurance	2,049	2,032	2,023	(9)	(0.4)	
Resources / Treasurer	7,585	7,631	7,636	5	0.1	40
Planning and Improvement	1,157	1,132	949	(183)	(16.2)	(25)
Total Deputy Chief Fire Officer	**10,791**	**10,795**	**10,608**	**(187)**	**(1.7)**	**15**
Human Resources and O D	868	907	907	0	0	
Safer Communities	19,472	19,463	19,260	(203)	(1.0)	(130)
Operational Support	3,583	3,628	3,781	153	4.2	68
Total Assistant Chief Fire Officer	**23,923**	**23,998**	**23,948**	**(50)**	**(0.2)**	**(62)**
CFO Staff	831	729	729	0		
Treasury Management	1,368	1,368	1,343	(25)	(1.9)	
Non-Delegated costs	402	401	401	0		
Corporate Contingency	270	498	498	0		
Transfers to Reserves	847	847	847	0		
Transfer from Reserves	0	(204)	(204)	0		
Total Corporate	**3,718**	**3,639**	**3,614**	**(25)**	**(1.4)**	**0**
Total Net Expenditure	**38,432**	**38,432**	**38,170**	**(262)**	**(0.7)**	**(47)**
Financed By:						
Council Tax	(24,280)	(24,280)	(24,280)	0		
Business Rates	(7,273)	(7,273)	(7,273)	0		
Revenue Support Grant	(6,196)	(6,196)	(6,196)	0		
Transition Grant	(97)	(97)	(97)	0		
S31 Grants	(217)	(217)	(217)	0		
Collection Fund Surplus / Deficit Council Tax	(369)	(369)	(369)	0		
Total Financing	**(38,432)**	**(38,432)**	**(38,432)**	**0**	**0.0**	**0**
Total Over / (Under) Spend	**0**	**0**	**(262)**	**(262)**	**(0.7)**	**(47)**

Appendix 2

East Sussex Fire Authority
2016/17 Revenue Budget – Safer Communities Analysis

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last report £'000
AD Safer Communities	109	108	115	7	6.5	
Hastings and Rother	4,738	4,701	4,657	(44)	(0.9)	(30)
Eastbourne and Wealden	5,110	5,084	5,027	(57)	(1.1)	(100)
The City	5,324	5,304	5,305	1	0.0	
Lewes	1,953	1,996	1,981	(15)	(0.8)	
Business Safety	1,365	1,359	1,337	(22)	(1.6)	
Community Safety	873	911	838	(73)	(8.0)	
Total Safer Communities	**19,472**	**19,463**	**19,260**	**(203)**	**(1.0)**	**(130)**

Appendix 3

East Sussex Fire Authority
2016/17 Capital Budget Monitoring

Capital Scheme	Original Budget as agreed CFA Feb 2016	Revised Budget	Projected Outturn	Variance	Variance	Variance Last Report
	£'000	£'000	£'000	£'000	%	£'000
Property Major Schemes						
Newhaven Fire Station	49	49	49	0		
Service HQ Relocation	624	624	624	0		
Subtotal	**673**	**673**	**673**	**0**	**0.0**	**0**
Property General Schemes						
General Schemes	705	733	733	0		
Breathing Apparatus Chambers	0	300	300	0		
Sustainability	155	197	197	0		
Subtotal	**860**	**1,230**	**1,230**	**0**	**0.0**	**0**
Information Management						
IMD Strategy SCC	**607**	**607**	**607**	**0**	**0.0**	**0**
Fleet and Equipment						
Fire Appliances	935	995	898	(97)	(9.7)	(97)
Ancillary Vehicles	556	513	513	0		
Cars and Vans	185	226	296	70	31.0	70
BA and Ancillary Equipment	750	750	750	0		
Subtotal	**2,426**	**2,484**	**2,457**	**(27)**	**(1.1)**	**(27)**
Total	**4,566**	**4,994**	**4,967**	**(27)**	**(0.5)**	**(27)**

Appendix 4

East Sussex Fire Authority
2016/17 – 2020/21 Capital Budget Monitoring

Capital Scheme	Original Budget as agreed by CFA Feb 2016 £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last Report £'000
Property Major Schemes						
Newhaven Fire Station	3,560	3,560	3,560	0		
Service HQ Relocation	650	650	650	0		
Subtotal	**4,210**	**4,210**	**4,210**	**0**	**0.0**	**0**
Property General Schemes						
General Schemes	2,976	2,976	2,853	(123)	(4.1)	(123)
Breathing Apparatus Chambers	0	300	300	0		
Replacement Fuel Tanks	220	220	220	0		
Sustainability	420	420	420	0		
Subtotal	**3,616**	**3,916**	**3,793**	**(123)**	**(3.1)**	**(123)**
Information Management						
IMD Strategy SCC	**2,027**	**2,027**	**2,027**	**0**	**0.0**	
Fleet and Equipment						
Fire Appliances	5,165	5,225	5,265	40	0.8	40
Aerial Appliances	680	680	680	0		
Ancillary Vehicles	1,457	1,397	1,397	0		
Cars and Vans	1,321	1,338	1,408	70	5.2	70
BA and Ancillary Equipment	750	750	750	0		
Subtotal	**9,373**	**9,390**	**9,500**	**110**	**1.2**	**110**
Total	**19,226**	**19,543**	**19,530**	**(13)**	**(0.1)**	**(13)**

Appendix 5

East Sussex Fire Authority
2016/17 Reserves Projections

Description	Opening Balance 01/04/16 £'000	2016/17 Planned Transfers In £'000	2016/17 Planned Transfers Out £'000	2016/17 Forecast Transfers In £'000	2016/17 Forecast Transfers Out £'000	Projected Closing Balance 31/03/2017 £'000
Earmarked Reserves						
Improvement and Efficiency	1,804	97	(797)	97	(797)	1,105
Sprinklers	187		(113)		(113)	74
Insurance	249					249
Community Fire Safety	145		(145)		(145)	0
Breathing Apparatus	750		(750)		(750)	0
Mapping Solution	69					69
ESN Health Check	15		(15)		(15)	0
Safer Business Training	140		(52)		(77)	63
IMD Transformation	2,000		(600)		(950)	1,050
Capital Programme Reserve	4,631	750		750		5,381
Total Earmarked Reserves	**9,990**	**847**	**(2,472)**	**847**	**(2,847)**	**7,991**
General Fund	3,142					3,142
Total Revenue Reserves	**13,132**	**847**	**(2,472)**	**847**	**(2,847)**	**11,133**
Capital Receipts Reserve	6,438	515	(2,564)	515	(2,564)	4,389
Total Capital Reserves	**6,438**	**515**	**(2,564)**	**515**	**(2,564)**	**4,389**
Total Usable Reserves	**19,570**	**1,362**	**(5,036)**	**1,362**	**(5,411)**	**15,522**

Appendix 6

East Sussex Fire Authority

Monitoring of Savings 2016/17 – 2018/19												
Summary showing Changing the Service Phases 1 and 2 and other operational savings												
	Budget				**Current Forecast**				**Variance**			
	2016/17	**2017/18**	**2018/19**		**2016/17**	**2017/18**	**2018/19**		**2016/17**	**2017/18**	**2018/19**	
	£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
Phase 2 Savings												
Removal of a pump from Hove	(932)	0	0		(932)	0	0		0	0	0	
Riding at Standard	(280)	(560)	(280)		(280)	(560)	(280)		0	0	0	
Total Phase 2 Savings	**(1,212)**	**(560)**	**(280)**		**(1,212)**	**(560)**	**(280)**		**0**	**0**	**0**	
Total Facing the Challenge	**(75)**	**(73)**	**0**		**(75)**	**(73)**	**0**		**0**	**0**	**0**	
Total non-operational savings	**(439)**	**(376)**	**(173)**		**(439)**	**(376)**	**(173)**		**0**	**0**	**0**	
Total additional savings	**(138)**	**0**	**0**		**(138)**	**0**	**0**		**0**	**0**	**0**	
Total all other savings	**(652)**	**(449)**	**(173)**		**(652)**	**(449)**	**(173)**		**0**	**0**	**0**	
Total Savings	**(1,864)**	**(1,009)**	**(453)**		**(1,864)**	**(1,009)**	**(453)**		**0**	**0**	**0**	

N.B. Above table shows in-year savings, not cumulative

Appendix 7

East Sussex Fire Authority

Investment as at 30 September 2016

Counterparty	**Type**	**Amount**	**Term**	**Rate**
		£'000		**%**
Lloyds/HBOS	Fixed	2,000	Fixed term to 17/10/16	0.65
Lloyds/HBOS	Notice	2,000	175 days	0.55
Santander	Notice	4,000	95 days	0.65
Barclays	Notice	4,000	100 days	0.44
Standard Life	MMF	4,000	Instant access	0.27
Insight	MMF	4,000	Instant access	0.35
Deutsche Bank	MMF	3,100	Instant access	0.37
Total Current Investments		**23,100**		

Agenda Item No. 033

EAST SUSSEX FIRE AUTHORITY

Panel	Policy & Resources
Date	3 November 2016
Title of Report	Treasury Management – Half Year Review for 2016/17
By	Assistant Director Resources / Treasurer

Background Papers

Fire Authority:
16 June 2016 – Agenda Item 926: Treasury Management Stewardship report for 2015/16
11 February 2016 – Agenda Item 909: Treasury Management Strategy for 2016/17

CIPFA Treasury Management in the Public Services code of practice and cross sectional guidance notes

Local Government Act 2003

CIPFA Prudential Code

Appendices None

Implications

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

PURPOSE OF REPORT

The treasury management half yearly report is a requirement of the Fire Authority's reporting procedures and covers the treasury activity for the first six months of 2016/17. The report includes an update on the first half year of Prudential Indicators which relate to the treasury activity.

EXECUTIVE SUMMARY	The Fire Authority has complied with its approved Treasury Management Strategy and Prudential Indicators during the first six months of the year. In challenging economic conditions the average rate of interest received through Treasury Management activity was 0.60%. This reflected the Fire Authority's continuing prioritisation of security and liquidity over yield. The Bank of England (BOE) cut bank base interest rates from 0.50% to 0.25% on 4 August 2016. This reduction will have significant impact on investment returns. At this point in time further cuts to just above or even zero cannot be discounted which will mean a longer lower interest rate environment than previously forecast. No new borrowing has been undertaken in 2016/17 to date. The next loan repayment is not due until 31 December 2017 (£200k) with the Public Works Loan Board (PWLB). On 30 September 2016 total PWLB loan debt outstanding was £10.973m at an average interest rate of 4.61%. There have 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, is £10.973m.
RECOMMENDATION	The Panel is asked to note the treasury management performance for the first half year of 2016/17.

1. **INTRODUCTION**

1.1 The Fire Authority's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

a) The Local Government Act 2003 (the Act) and supporting regulations require the Authority to "have regard to" the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice when setting Prudential and Treasury Indicators for the next three years, to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

b) The Act, therefore, requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) which sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

c) Under the Act the former Office of the Deputy Prime Minister has issued Investment Guidance to structure and regulate the Authority's investment activities.

1.2 The Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis and its treasury management practices demonstrate a low risk approach.

1.3 The Code requires the regular reporting of treasury management activities to:

a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report);
b) Review actual activity for the preceding year;
c) Review mid-year activity (this report) ; and
d) Report changes to our Strategy (when required).

1.4 This report sets out information on:

a) A summary of the strategy agreed for 2016/17 and the economic factors affecting the strategy in the first six months of this year; and
b) The Fire Authority's treasury activity during the first six months on borrowing and short term investments.

2. **<u>2016/17</u>**

2.1 **Original Strategy for 2016/17**

2.1.1 At its meeting on 11 February 2016, the Fire Authority agreed its treasury management strategy for 2016/17, taking into account the economic scene, including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2016/17 as set out below.

2.1.2 East Sussex Fire Authority defines its treasury management activities as:

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

The Fire Authority regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is, therefore, committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Borrowing

2.1.3 The Fire Authority's past strategy had been to borrow to support the Capital Programme and lend out other cash (rather than using internal borrowing). Historically, this had meant that the interest rate earned on cash balances was higher than the interest rate paid on loans from the Public Works Loans Board (PWLB). In the current financial climate, this interest rate differential had been removed. In the short term, therefore, it was agreed that, although the limits would allow new borrowing, external borrowing would only take place if the rates available were so low that the long-term benefits significantly exceeded the short term cost. In practice, no new PWLB borrowing has taken place since January 2008.

2.1.4 Opportunities to reschedule debt have been monitored but have not yet arisen. The PWLB increased all of its lending rates on 20 October 2010 (the day of the Government's Comprehensive Spending Review) by 1% on all rates. However, it did not increase the rate of interest used for repaying debt so that, not only had the cost of our future borrowing increased, but the opportunity to restructure our debt when market conditions allow had been significantly reduced.

Investment

2.1.5 When the strategy was agreed in February of this year, the advice given to us by our advisors, Capita Asset Service, was that short term rates were expected to remain on hold for a considerable time. The economic outlook and structure of market interest rates and government debt yields had several key treasury mangement implications:

a) Although Eurozone concerns have subsided, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks, therefore, remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

b) Investment returns are likely to remain relatively low during 2016/17 and beyond; and

c) Borrowing interest rates have been decreasing over the period. The policy of avoiding new borrowing by running down spare cash balances has served us well over the last few years. There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Investment and Borrowing Strategy agreed for 2016/17

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

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

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

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

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

Y	*P*	*B*	*O*	*R*	*G*	*N/C*
Up to 2 years	*Up to 2 years*	*Up to 1 year*	*Up to 1 year*	*Up to 6 months*	*Up to 100 days*	*No Colour*

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

2.1.10 The use of Specified Investments – Investment instruments identified for use in the financial year are as follows:

The table below sets out the types of investments that fall into each category, counterparties available to the Authority, and the limits placed on each of these.

Counterparty	Country/ Domicile	Instrument	Maximum investments	Maximum maturity period
Counterparties in UK				
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits	unlimited	1 year
Government Treasury Bills	UK	Term Deposits	unlimited	1 year
Local Authorities	UK	Term Deposits	unlimited	1 year
RBS/NatWest Group • Royal Bank of Scotland • NatWest	UK	Term Deposits (including callable deposits), Certificates of Deposits	£4m	1 year
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK		£4m	1 year
Barclays	UK		£4m	1 year
Santander UK	UK		£4m	1 year
HSBC	UK		£4m	1 year
Individual Money Market Funds	UK/Ireland /domiciled	AAA rated Money Market Funds	£4m	Liquidity/ instant access

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

2.1.12 The net borrowing requirement within Table 3.2.1 below shows that, based on current estimates, the Authority does not need to take out any new borrowing to support the capital programme. However, any future new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts set out above. The Assistant Director Resources / Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

2.1.13 Treasury staff will regularly review opportunity for debt rescheduling, but there has been a considerable widening of the difference between new borrowing and repayment rates, which has made Public Works Loan Board (PWLB) debt restructuring now much less attractive. Consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBO (Lenders Option Borrowers Option) loans, and other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

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

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

2.1.16 All debt rescheduling will be agreed by the Assistant Director Resources / Treasurer.

2.2 Economic factors affecting the Strategy in 2016/17 (commentary supplied by our advisors Capita Asset Services)

Economic performance to date and outlook

2.2.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8%, although it still remained one of the leading rates among the G7 countries. Growth was +0.4% in quarter 1 and +0.6% in quarter 2, (first estimate), but forward looking indicators point to a sharp slowdown in the second half of 2016 as a result of the Brexit vote. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen in value, especially after the referendum result, which will help to make British goods and services much more competitive and will increase the value of overseas earnings by multinational companies based in the UK. In addition, the Chancellor has announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016. He has also said he will do 'whatever is needed' to stimulate growth which could mean fiscal policy action e.g. cutting taxes, increasing investment allowances for businesses, etc., and / or increasing government expenditure on infrastructure, housing, etc.

2.2.2 The Bank of England August Inflation Report included a sharp reduction in forecasts for growth for 2017 @ +0.8% and for 2018 @ 1.8%, though 2016 was kept at 2.0%. While this does not indicate the economy could go into recession in the second half of 2016, growth is expected to be minimal during that period.

2.2.3 The August Bank of England Inflation Report forecast also included a sharp upward revision to the forecasts for inflation rising up above the MPC's 2% target in 2018 to about 2.3% due to the recent fall in the value of sterling, etc. However, the MPC is likely to look through that and take a longer term view in order to give time for economic growth to recover.

2.2.4 The American economy had a patchy 2015: quarter 1 – 0.6% (annualised), quarter 2 – 3.9%, quarter 3 – 2.0%, and quarter 4 – 1.4% in, leaving growth in 2015 as a whole at 2.4%. Quarter 1 of 2016 came in at a weak 0.8% (annualised) and quarter 2 at 1.2% (first estimate). While these overall figures were disappointing, they were depressed by a significant run down in inventories which masked an underlying strength in consumer demand; forward indicators are, therefore, pointing towards a pickup in growth for the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, caused a re-emergence of caution over the timing and pace of further increases. However, in recent weeks, increases in non-farm payroll figures have again boosted confidence that the economy is on a strong upward trend and have renewed expectations of at least one increase in the Fed. rate in 2016.

2.2.5 In the Eurozone, in March 2015, the ECB commenced its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, at the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and an initial start to some improvement in economic growth. GDP growth rose by 0.6% in quarter 1 of 2016 (1.7% y/y) but disappointed in quarter 2 with a reversal to only 0.3% (1.6% y/y). The ECB is also struggling to get inflation up from near zero towards its target of 2%.

Interest Rate Outlook

2.2.6 The Authority's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

2.2.7 Capita Asset Services undertook its last review of interest rate forecasts on 8 August, shortly after the quarterly Bank of England Inflation Report and the MPC cutting Bank Rate from 0.50% to 0.25% and launching various quantitative easing measures. This action was prompted by concerns that the UK economy would slow down sharply as a result of the Brexit vote. It is widely expected that the MPC could cut Bank Rate further to nearly zero, probably at the November quarterly inflation report meeting. Since the Brexit vote on 23 June, gilt yields and PWLB rates have fallen sharply. Investment rates also fell after the cut in Bank Rate.

2.2.8 The above forecast includes a very tentative first increase in Bank Rate in June 2018. The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

2.2.9 There are also concerns that weak growth in the UK, Eurozone, China and Japan is only being achieved by monetary policy being highly aggressive. While such policies undoubtedly help to stimulate growth, there is substantial doubt that without additional aggressive fiscal action by national governments to stimulate growth and inflation, (and also fundamental economic and political reforms in some countries), then many countries are likely to have a prolonged struggle to return to both strong growth, and inflation rising to around 2%, within the next few years.

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

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
- Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners – the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

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

- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

2.3 **Interest on short term balances**

2.3.1 Base interest rates were cut on 4 August to 0.25%, their lowest ever rate.

2.3.2 There have been continued uncertainties in the markets during the year to date as set out in section 2.2 above.

2.3.3 The strategy for 2016/17, agreed in February 2016, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year.

2.3.4 The total amount received in short term interest for the six months to 30 September 2016 was £66k, at an average rate of 0.60%. This was above the average of base rates in the same period (0.42%) and succeeded in the aim to secure investment income of at least base rate on the Fire Authority's general cash balances. It should be noted that the next six months will see decreased investment returns as markets are pricing in further interest rate cuts and a longer lower interest rate environment.

2.3.5 In July, the authority placed a £2m 3-month fixed term deposit with Lloyds/HBOS at 0.65%; these funds are due to mature in mid-October. Funds are invested across notice accounts with Lloyds/HBOS, Barclays and Santander, their margins are priced over base rate between 0.19%-0.40% depending on duration of notice, 95 to 175 days. The investments held comply with our Treasury Management Strategy and the Fire Authority has continued to follow an extremely prudent approach with security and liquidity as the main criteria before yield.

2.4 **Long term borrowing**

2.4.1 The cost of new borrowing is now well in excess of the rate achievable on our investments. No new PWLB borrowing has taken place since January 2008 and is unlikely in the current climate unless long term PWLB rates reach a very low level (where the long term benefit would exceed the short term costs).

2.4.2 The average interest rate of all debt at 30 September 2016 (£10.973m) was 4.61% and will be unchanged at 31 March 2017 as long as no new loans are taken and no beneficial rescheduling of debt is available.

2.4.3 Opportunities for cost effective repayment of existing debt and restructuring opportunities were constantly monitored but none emerged in the first six months of the year.

3. PRUDENTIAL INDICATORS AND LIMITS RELATING TO TREASURY MANAGEMENT ACTIVITIES

3.1 The limits set for 2016/17

The Strategy Report for 2016/17 set self-imposed prudential indicators and limits. These are on an annual basis and monitored. They comprise:

Prudential Indicator	Compliant
Capital Expenditure	Yes
Ratio of Financing Costs to Net Revenue Stream	Yes
Capital Financing Requirement (CFR)	Yes
Net External Borrowing compared to the medium term CFR	Yes
Upper limits for fixed interest rate exposure and variable interest rate exposure	Yes
Upper limit for total principal sums invested over 365 days	Yes
Actual External Debt	Yes
Authorised Limit for External Debt	Yes
Operational Boundary for External Debt (see 3.2)	Yes
Maturity Structure of Fixed Rate Borrowing (see 3.4)	Yes
Maturity Structure of Investments (see 3.6)	Yes
Incremental Impact of Capital Investment Decisions	Yes
Adoption of the CIPFA Treasury Management Code (see 3.5)	Yes
Interest rate exposures (see 3.3)	Yes
Interest rate on long term borrowing	Yes
Interest on investments	Yes
Minimum Revenue Provision (see 3.7)	Yes

None of the limits has been exceeded in 2016/17 to date.

3.2 **Authorised limit for borrowing**

3.2.1 The table below sets out the actual 2015/16 original estimated and projected outturn in 2016/17 for borrowing:

	2015/16 Actual	**2016/17 Original Estimate**	**2016/17 Projected Outturn**
	£'000	**£'000**	**£'000**
Opening CFR	**11,123**	**10,973**	**10,973**
Capital Investment Sources of Finance MRP	3,241 (2,946) (445)	3,867 (3,428) (439)	4,967 (4,528) (439)
Movement in year	**(150)**	**-**	**-**
Closing CFR	**10,973**	**10,973**	**10,973**
less Finance Lease Liability	-	-	-
Underlying Borrowing Requirement	**10,973**	**10,973**	**10,973**
Actual Long Term Borrowing Over / (Under) Borrowing	**10,973** -	**10,973** -	**10,973** -
Operational Boundary	**11,441**	**11,441**	**11,441**
Authorised Limit	**13,831**	**13,831**	**13,831**

3.2.2 The Operational boundary for borrowing was based on the same estimates as the Authorised limit. It reflected directly the authorised borrowing limit estimate without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational boundary represents a key management tool for in-year monitoring and long term borrowing control.

3.2.3 The Authorised limit was consistent with the Fire Authority's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario with, in addition, sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income. Risk analysis and risk management strategies were taken into account as were plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

3.2.4 The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The estimated long term borrowing at 31 March 2017 of £10,973,000 is under the Authorised limit set for 2016/17 of £13,831,000.

3.3 **Interest rate exposure**

The Fire Authority's Prudential Indicator continued the practice of seeking competitive fixed interest rate exposure for borrowing, lending and a combined figure of borrowing and lending.

Interest Rate Exposure	2016/17 Upper	2017/18 Upper	2018/19 Upper
Limits on fixed interest rates based on net debt*	100%	100%	100%
Limits on variable interest rates based on net debt*	0%	0%	0%

*Net debt is borrowings less investments

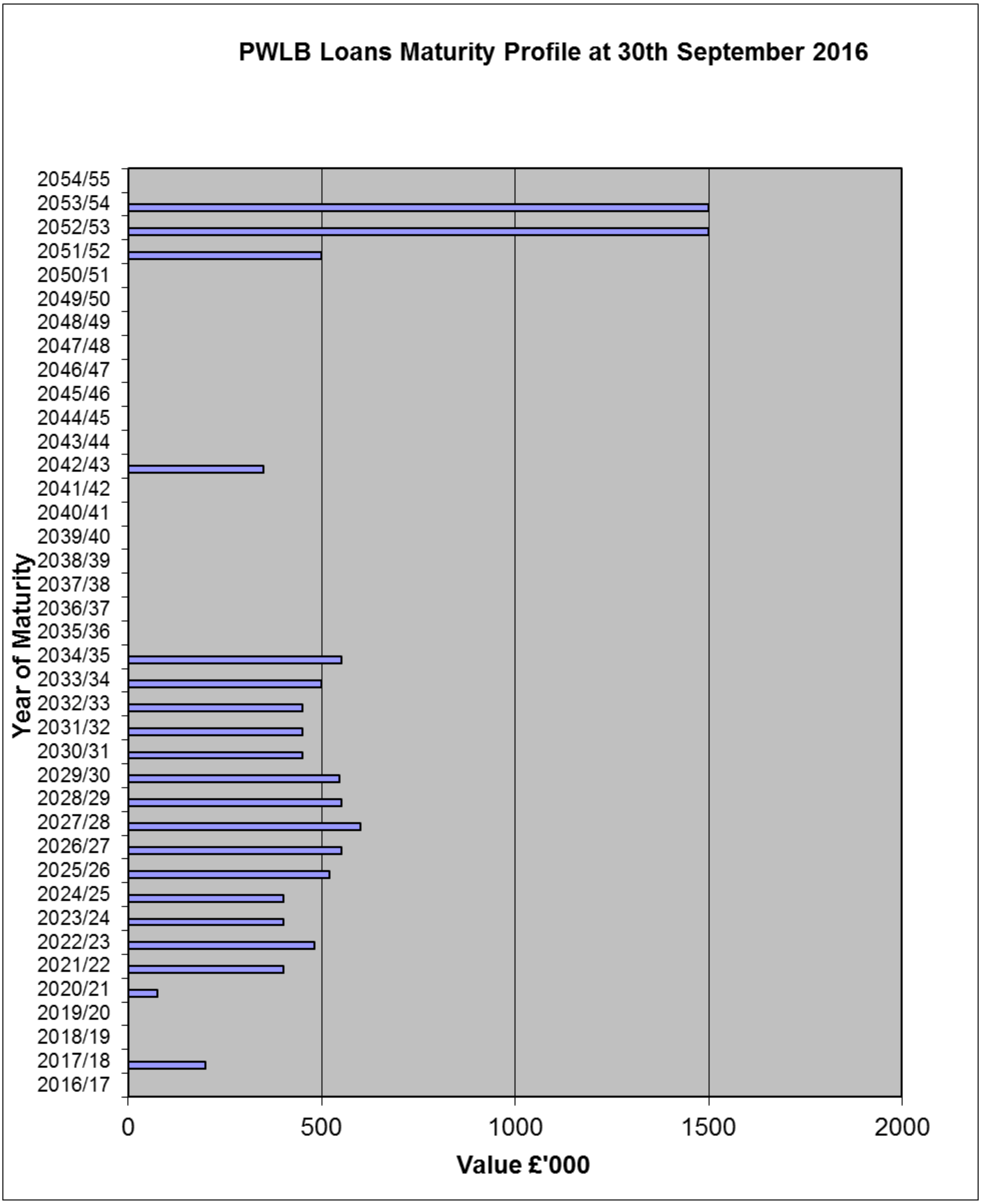
No new borrowing undertaken and all lending at fixed rates

3.4 **Maturity structure of debt**

The Fire Authority set upper and lower limits for the maturity structure of its borrowings as follows:

	Estimated Lower Limit	Estimated Upper Limit	Current
Under 12 months	0%	25%	0%
12 months and within 24 months	0%	40%	2%
24 months and within 5 years	0%	60%	4%
5 years and within 10 years	0%	80%	17%
10 years and within 20 years	0%	80%	42%
20 years and within 30 years	0%	80%	3%
30 years and within 40 years	0%	80%	32%
Over 40 years	0%	80%	0%

Any new borrowing undertaken would give due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any future years when interest rates may be unfavourable. No new borrowing has been undertaken in 2016/17 to date. The following graph shows when the debt will mature.


PWLB Loans Maturity Profile at 30th September 2016
Year of Maturity
2054/55
2053/54
2052/53
2051/52
2050/51
2049/50
2048/49
2047/48
2046/47
2045/46
2044/45
2043/44
2042/43
2041/42
2040/41
2039/40
2038/39
2037/38
2036/37
2035/36
2034/35
2033/34
2032/33
2031/32
2030/31
2029/30
2028/29
2027/28
2026/27
2025/26
2024/25
2023/24
2022/23
2021/22
2020/21
2019/20
2018/19
2017/18
2016/17
0
500
1000
1500
2000
Value £'000

3.5 **Compliance with the treasury management code of practice**

East Sussex Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

3.6 **Maturity structure of investments**

The authority has continued the current policy and not invested any sums for more than 364 days.

3.7 **Minimum Revenue Provision Statement**

The Fire Authority's Borrowing Need (the Capital Financing Requirement)

3.7.1 The prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the underlying borrowing need.

3.7.2 The Fire Authority approved the Capital Finance Requirement projections for 2016/17 in its Strategy approved in February. These are in the original estimate below:

	2015/16 Actual £'000	**2016/17 Original Estimate £'000**	**2016/17 Projected Outturn £'000**
Opening CFR	11,123	10,973	10,973
Closing CFR	10,973	10,973	10,973
Movement in CFR	**(150)**	**-**	**-**
Movement in CFR represented by:			
Net financing	295	439	439
MRP	(445)	(439)	(439)
Movement in year	**(150)**	**-**	**-**

3.7.3 The Fire Authority is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge called the Minimum Revenue Provision (MRP), although it is also allowed to undertake additional voluntary payments.

3.7.4 The Authority sets aside a Minimum Repayment Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR. For any new borrowing the Asset Life Method will be used to calculate MRP.

4 TREASURY MANAGEMENT ADVISORS

4.1 The Strategy for 2016/17 explained that the Fire Authority uses Capita Asset Services as its treasury management consultant through the contract that exists with East Sussex County Council. The company has provided a range of services which have included:

a) Technical support on treasury matters, capital finance issues and advice on reporting;
b) Economic and interest rate analysis;
c) Debt services which include advice on the timing of borrowing;
d) Debt rescheduling advice surrounding the existing portfolio;
e) Generic investment advice on interest rates, timing and investment instruments;
f) Credit ratings from the three main credit rating agencies and other market information; and
g) Assistance with training on treasury matters.

4.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Authority. This service remains subject to regular review.

4.3 Capita is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market-leading treasury management service to their clients. The advice will continue to be monitored regularly to ensure an excellent level of service provided to the Authority.

5 CONCLUSION

5.1 The prime objective of Treasury Management is the effective management of risk and to ensure that its activities are undertaken in a prudent, affordable and sustainable basis.

5.2 This report confirms the Authority has continued to follow an extremely prudent approach with the main criteria of security and liquidity before yield. The current emphasis must continue to be to be able to react quickly if market conditions change.

Agenda Item No. 034

EAST SUSSEX FIRE AUTHORITY

Panel:	Policy & Resources
Date:	3 November 2016
Title of Report:	Contributions from Development Schemes
By:	Deputy Chief Fire Officer
Lead Officer:	

Background Papers — Government planning guidance documents for the Growth and Infrastructure Act 2013: including the use of planning obligations and Section 106 funding and Community Infrastructure Levy

---

Appendices — Accompanying Framework document

Implications

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

EQUALITY IMPACT ASSESSMENT
The consideration of any equality impacts will vary depending on the specific schemes the framework is applied to; key will be ensuring that no community is disadvantaged in the provision of the FRS services by the impacts of growth

PURPOSE OF REPORT — To present a framework document for approval that will ensure future local authority development plans consider the needs of Fire & Rescue Service provision of service as part of schemes that deliver growth in houses, commercial buildings and infrastructure.

EXECUTIVE SUMMARY — Government plans require every local authority to assess growth and development plans as part of the delivery of suitable and sufficient housing. This was a manifesto commitment.

This means that, in East Sussex, the need for in excess of 20,000 additional homes and associated employment and associated infrastructure has been identified.

Local planning authorities are at various stages of development and delivery of these plans and, to date, East Sussex Fire & Rescue Service (ESFRS) has not presented a requirements framework to these authorities for impacts of growth to be considered as part of growth development plans.

RECOMMENDATIONS: The Panel is asked to:

1. consider the accompanying draft framework document for ESFRS;
2. subject to any amendments, to agree the circulation of the framework to all local planning authorities before the end of November 2016; and
3. agree that officers use the basis of the framework to seek contributions from future development schemes.

---

1. INTRODUCTION

1.1 The Government made a manifesto pledge to ensure that more adequate and affordable housing would be available in the UK. This has resulted in a requirement for every local authority to present local development plans to the Government by March 2017.

1.2 In East Sussex the City, District and Borough councils and, to a limited extent, the County Council, are the planning authorities and they are at various stages in the development of their local development plans; some are still to be presented, some are out for consultation and, in some areas, development options are underway.

1.3 In East Sussex as a whole, including the City of Brighton & Hove, it is estimated that the requirement will be in excess of 20,000 new homes, a proportion of which will be affordable housing.

1.4 The topography and areas where there are various restrictions in place in the county mean that there are limitations as to where new houses can be built; this has the impact of creating some areas of fairly intense development, for example between Polegate and Hailsham.

2. CONTRIBUTIONS TO THE FIRE AUTHORITY

2.1 Whilst to date the Fire Authority has not had a framework document for consideration, the level of potential growth in housing and businesses over the medium term is likely to have an impact on the services and resources of ESFRS.

2.2 The attached framework document attempts to set out considerations for developers and local planning authorities, but also offers “trade off” opportunities, for example the Fire Authority has offered to not seek the same level of contributions if developers install fire suppression systems such as sprinklers into buildings; the ultimate aim being that all communities are safe and that their safety is not disadvantaged by the impacts of housing development and growth.

2.3 A framework ensures that there is clarity and consistency applied to all developments and that all local planning authorities have clear information to use in negotiations with developers on behalf of the Service.

3. NEXT STEPS

3.1 If agreed, the Framework will be sent to all local planning authorities by the end of November 2016 with an introductory letter.

3.2 The Framework will also be made available on the Service website and become part of the Service policy framework.

4. **IMPLICATIONS**

Category	Detail	Action
CORPORATE RISK	Service delivery could be affected if the Fire Authority does not have a clear framework for seeking contributions for managing growth.	Framework in place and negotiation with local authorities.
FINANCIAL	As above and future impacts on revenue and business rate implications to be considered.	Framework in place and negotiation with local authorities. Separate assessment of MTFP.
POLICY	The Fire Authority should have a clear policy in place in relation to seeking contributions.	Framework in place and considered as part of service policy framework.
POLITICAL	The Fire Authority is only one of the organisations with interest and there will be competing demands for both inclusion in planning obligations and for access to Section 106 funding and Community Infrastructure Levy (CIL) where it exists.	There will need to be separate negotiation with local authorities and other stakeholders, and Fire Authority members need to be aware of potential for conflicts of interest where they also represent their local authority on planning issues.

East Sussex Fire Authority

REQUIREMENTS FOR CONTRIBUTIONS FROM DEVELOPMENT SCHEMES

FOR DEVELOPER CONTRIBUTIONS TO FUND ADDITIONAL FIRE AND RESCUE FACILITIES UNDER SECTION 106 OF THE TOWN & COUNTRY PLANNING ACT 1990 including new S106 restrictions

Version Number:	1.5	**Version Date:**	18/10/2016

CONTENTS

1. **INTRODUCTION**

1.1 This document sets out the basis on which East Sussex Fire & Rescue Service (ESFRS) will seek to negotiate planning obligations towards fire and rescue services via Section 106 (S106) of the Town and Country Planning Act 1990 and also ask for consideration under the Community Infrastructure Levy (CIL) where applicable. Contributions will be sought from development schemes which have the potential to increase the demand on the Service as currently provided across the respective Council area.

1.2 The use of planning obligations has become a key mechanism in the planning system for addressing the impact of development proposals. Obligations can be used to secure contributions towards the provision of infrastructure and services. The tests for the use of a planning obligation require that the provisions must be made:

- Necessary to make proposed development acceptable in planning terms;

- Relevant to planning;

- Directly related to the proposed development;

- Fairly and reasonably related in scale and kind to the proposed development;

- Reasonable in all other aspects.

1.3 The provision of adequate fire and rescue service resources is essential in the delivery of a *safe, healthy and attractive place to live*, a key policy requirement of national planning guidance in Planning Policy Statement 1 (PPS1).

1.4 It is recognised that it is the role of the determining Local Planning Authority to negotiate S106 contributions through the planning process. This document provides the legal and policy basis for the Fire Authority to seek contributions towards fire and rescue services from development proposals, outlines the scale of contribution which will be sought in various circumstances and explains how the funds will be secured.

2. JUSTIFICATION FOR THE NEED FOR FIRE AND RESCUE SERVICE CONTRIBUTIONS

a) Policy background to the provision of an effective fire and rescue service

2.1 Fire Service Circular 7/2003 requires every Fire and Rescue Authority in England and Wales to produce an Integrated Risk Management Plan (IRMP). Through local determination of risk and local determination of response standards, it is expected that this will:

- Reduce the number of emergency incidents occurring;
- Reduce death and injury from fire and other emergency incidents;
- Reduce the socio-economic impacts of fire;
- Protect heritage;
- Safeguard the environment;
- Contribute to the development of stronger, more self-sufficient and cohesive communities;
- Provide value for money.

2.2 Underpinned by statutory obligations within the Fire and Rescue Services Act 2004, the Fire and Rescue National Framework document sets out the Government's expectations of fire authorities for reducing and managing community risk through proactive prevention and protection activity and through providing an efficient and effective emergency response.

2.3 Section 17 of the Crime and Disorder Act 1998 requires local authorities and other agencies to consider crime and disorder reductions and community safety in the exercise of all their duties and activities.

2.4 The above legislation imposes a requirement on Fire and Rescue Authorities to ensure efficient and effective fire and rescue provision, and to ensure that the Service contributes effectively to the wider community safety agenda. New development schemes place additional demand on fire and rescue resources, both in terms of the need for additional capital investment in new facilities and funding for additional equipment, and on revenue budgets for firefighters, officers and support staff.

It is, therefore, reasonable for fire and rescue service needs to be taken into account by local planning authorities when determining planning applications relating to the provision of new development.

b) Planning policy context

2.5 Policy support for securing effective and efficient fire and rescue services in order to create safe places is provided by national and regional planning policy guidance and Central Government publications.

2.6 Paragraph 5 of PPS1 states that planning should facilitate and promote sustainable and inclusive patterns of development by ensuring development supports existing communities and creates safe, sustainable, liveable and mixed communities. Paragraph 14 states that the Government is committed to developing strong, vibrant and sustainable communities by promoting personal well-being and social cohesion and inclusion. Paragraph 16 states that development plans should promote development that creates social cohesion and inclusion, through delivering safe, healthy and attractive places to live. In addition, existing Regional Planning Guidance states that development plan policies should enhance community safety.

2.7 *'Safer Places – The Planning System and Crime Prevention',* published by ODPM in February 2004, states that the prevention of crime and the enhancement of community safety are matters that a local planning authority should consider when exercising its functions under the Town and Country Planning legislation.

2.8 The proposed growth in the County of East Sussex and the City of Brighton & Hove is set to see approximately an additional 20,000 new homes being built, along with significant increases in industry and commercial buildings and associated road networks.

2.9 The resulting increase in population, traffic movements and industry has the potential to significantly increase the demands on current fire and rescue service resources.

c) *The implications of additional development for fire and rescue service resources*

2.10 New developments and associated infrastructure attract people to live and work in the area and lead also to an increase in traffic volumes and movements. The nature of the developments is also significant as sheltered and low cost housing may be inhabited by individuals who are at a higher risk of injury, such as lone elderly with limited mobility. Higher numbers and greater volumes inevitably result in implications for the Service, be it in incident numbers, changes in risk profile or increased times for attendance to incidents involving both fire and non-fire rescue. This places additional demands on the fire and rescue and other emergency services' resources to ensure safe communities and places are maintained, consistent with national Government expectations and guidance.

2.11 The demands on fire and rescue resources manifest themselves in a variety of forms, dependent on the scale and nature of the proposed development, including the need to:

- acquire land and the capital costs of fire and rescue service buildings and associated facilities for the provision of new fire stations;
- extend existing fire stations;
- replace any temporary structures with permanent accommodation;
- provide additional vehicles and other resources for response;
- extend communication infrastructures;
- reduce risk and demand through advice and the provision of equipment e.g. improve fire suppression (sprinklers) systems in existing and/or new premises;
- enforcement: the fire and rescue service is a regulator of fire safety compliance in many businesses and this includes a requirement to inspect plans and high risk premises; in some instances this leads to the requirement for formal action / prosecution of businesses who neglect their duties to provide fire safe buildings;
- hydrants: we employ staff to inspect water hydrants and ensure they are in good working order in advance of them being required to fight fires; additions to premises numbers increases ongoing revenue costs in this area;
- review of staffing levels.

d) Current funding

2.12 Current funding for ESFRS is provided from the following sources:

- Revenue Support Grant
- Business Rates
- Local Council Tax

2.13 In recent years, some additional funding has been provided by Central Government to support particular initiatives, for example, arson reduction, home fire safety checks and national / regional projects such as ‘New Dimensions’, but this has, for the most part, ceased due to national fiscal pressure.

2.14 The above funding streams fail to provide sufficient capital (or revenue) financial resources to meet existing fire and rescue service needs for maintaining strategic provision at an adequate level to accommodate growth in new communities.

e) Planning Obligations

2.15 ‘*Planning Obligations’* (ODPM Circular 05/2005) provides Central Government advice on planning obligations under section 106 of the Town and Country Planning Act as substituted by the Planning and Compensation Act 1991. The guidance states that the aim of planning obligations is to make acceptable development which would otherwise be unacceptable in planning terms. It states that planning obligations can be used to mitigate a development’s impact, for example through the need for increased public transport provision. It follows that, when development gives rise to increased demand for fire and rescue services, it is reasonable to seek contributions from developers to mitigate that impact.

3. CRITERIA FOR SEEKING FIRE AND RESCUE CONTRIBUTIONS

3.1 Paragraph B5 of ODPM Circular 05/2005 states that contributions under section 106 should be directly related to the development proposal and fairly and reasonably related in scale and kind.

3.2 The provision of effective fire and rescue services is dependent upon maintaining both a local and strategic approach. The value of the contribution required to mitigate the impact of development on fire and rescue resources will, therefore, need to take account of both these factors.

3.3 Residential properties pose the highest risk to life from fire related incidents. For residential developments a clear link can be established between the number of households and the expenditure of fire and rescue resources. The formula set out in Appendix A calculates the implications of a development in terms of the demand created for the associated capital requirements. Application of this model to all developments will help ensure that the fire and rescue service's strategic capability is maintained. On a local level, this means that when locally based resources are committed to an incident, alternative resources are available to maintain the fire authority's operational response standards within the local area.

3.4 For non-residential developments, it is also possible to apportion the expenditure of fire and rescue resources. Whilst empirically posing a lower risk to life than residential property fires, incidents in industrial / commercial properties have far-reaching socio-economic consequences, for example, temporary or permanent loss of employment for the local community, disruption to surrounding businesses, interference with traffic movements and potential long-term environmental impacts. When they occur, non-residential property incidents can have a significant impact on fire and rescue resources, often requiring support from across the county and even beyond county boundaries. The requirements relating to non-residential buildings can vary greatly dependent upon use and other criteria but, as a basis for negotiation, a cost model for non-residential development is included at Appendix B.

3.5 Seeking a contribution for non-residential as well as residential development may be seen by some developers as double counting. However, the 'activity factor' ensures that costs are apportioned.

3.6 For development schemes involving both residential and non-residential development, a contribution will be sought based on the residential formula and the specific requirements of the development, taking account of any particular risk factors.

3.7 The fire and rescue service attends a significant number of incidents other than fire. The other most significant area of activity is the extrication of persons / casualties from road traffic collisions (RTCs). Whilst it is more difficult to align this activity with specific areas of growth, the impact on the fire and rescue service cannot be ignored. Therefore, whilst there is no specific reference to this activity within the formulae in the appendices, all fire and rescue service activity has been considered in terms of maintaining the strategic response capability.

3.8 To seek contributions from all developments (whether residential or non-residential) regardless of size, would place an unreasonable burden on the planning system. It is proposed, therefore, to seek contributions only in respect of certain types of applications above an agreed threshold. These thresholds are currently:

Residential developments: 10 dwellings or greater.

Non-residential developments: Where the footprint of proposed non-residential building is 100 square metres or greater.

Please note that ESFRS reserves the right to amend this matrix in future to meet the requirements of the Service.

3.9 ESFRS's preferred approach to managing risk within new developments is to minimise the likelihood of serious fires occurring. This can be enhanced through installing fire suppression systems e.g. domestic sprinklers, in properties likely to present the highest risk.

To support this approach, the authority is willing to negotiate down the level of developer contribution in accordance with an undertaking by the developer to install appropriate automatic fire suppression systems (sprinklers) in both domestic properties identified as 'high-risk' e.g. low-cost housing, sheltered accommodation, and also in all non-domestic property types.

Adopting this approach will lead to safer communities and will better protect the local socio-economic infrastructure and environment. Further information on fire suppression systems can be found in Appendix E.

3.10 For outline applications, where no information is given on the number of dwellings or floor space proposed, one of the following will be used as a preliminary basis for assessing the likely demand on fire and rescue service resources:

- Where a site specific allocation is identified in a Local Development Document or Local Plan, the number of dwellings or floor space specified will be used;

- For residential developments, net site area multiplied by the densities (usually mid point) contained within Planning Policy Guidance Note 3 (PPG3);

- For other forms of development, the value of the contribution sought will be determined from the supporting information provided by the applicant.

3.11 The scale of contribution for non-residential development will be determined having regard to the following factors:

- the nature of the proposed development;

- the scale of the proposed development in terms of quantum floor space and number of people likely to be attracted;

- the nature of existing fire and rescue service facilities in the locality of the development site;

- the extent to which developers seek to mitigate the impacts of fire by, for example, installing fire suppression systems.

4. CONTRIBUTIONS IN RELATION TO LAND AND PREMISES

4.1 The formulae in the appendices do not take account of land costs. Where the size of a development or impact requires a change to the local fire and rescue facility and where sufficient and suitable space exists to increase the capacity of an existing facility, contributions will only be sought for building and establishment costs.

4.2 Where additional land is needed for a new facility station, the developer will also be required to either provide free suitable land or facilities, or sufficient funding to acquire it. The cost of building may be estimated as above or provided on a bespoke basis.

4.3 It may be necessary to negotiate an option to purchase additional land, not in itself solely necessitated by the fire and rescue service risk forecast from a single development. That is to say, that a number of different developments in an area may create the need for a suitable sized fire station to be established and, in this instance, negotiations to seek contributions from multiple developers to contribute to the required new/enlarged station will be required.

4.4 If land is required for a new fire and rescue facility, or an extension to an existing one, it should be provided free of charge by the developer to the Fire Authority. Before a master plan is produced for the proposed development, the location, accessibility, size of the site area and shape and orientation of the land required should be agreed with the Fire Authority. This information should be included in a Section 106 agreement.

4.5 Where a development in itself is not large enough to require a new fire station, but is of sufficient size to trigger the need for a different site, because existing facilities cannot satisfactorily accommodate all the fire and rescue service requirements to service the development, developers will be required to provide a fully serviced site for a new fire and rescue facility free of charge and a contribution to the construction costs for a new facility will be required in line with the models contained in Appendices A and B.

5. **CONTRIBUTIONS MANAGEMENT**

a) The need for liaison between the Fire Authority and Local Planning authority

5.1 Developer contributions must be negotiated in conjunction with the relevant organisations performing as a Local Delivery Vehicle (LDV). Where possible, this will be carried out as part of a combined approach with the local planning authority where the developments are taking place.

5.2 The Fire Authority is aware that the provision of additional fire and rescue facilities represents only one of a range of community facilities and infrastructure that may be required to serve a new development. In conjunction with the Local Authorities, the Fire Authority will, therefore, liaise with the LDVs and planning officers of borough/district councils, as well as other core partners (and, where appropriate, other fire authorities) to ensure a coordinated approach to negotiations concerning planning obligations.

5.3 In conjunction with Local Authorities, the Fire Authority will alert councils to the potential need for planning obligations at the earliest possible opportunity, usually through the Local Plan and / or Local Development Framework process. This will highlight the requirement for developer contributions so that fire and rescue service needs can be built into the calculations of land costs or accommodation within a multi-agency facility.

b) Collection, investment and use of contributions

5.4 The following principles will apply to the collection, investment and use of contributions:

I. Payment will be required prior to the commencement of the development, or in accordance with a phased arrangement, depending upon the circumstances;

II. If after a period specified in the agreement, the Fire Authority has not spent the financial contributions paid to it, or developed land conveyed to it for the purposes for which it was conveyed, then the land will be returned and / or the funds repaid to the developer, with accrued interest. In the case of land this will normally be within 5 years of transfer of land to the Fire Authority. In the case of finance, after 5 or 10 years (according to the local authority) of the first occupation of a dwelling on the development, or a specified level of floor space.

III. Where a developer is providing land for a new fire station site the Fire Authority will normally seek to obtain the transfer of the site within a specified period of time. This will normally be linked to a predetermined number of dwellings being completed, or other such phasing, as appropriate.

IV. All contributions must be index linked and, when received, used by the Fire Authority for the purpose(s) negotiated and set out in each Section 106 agreement. Contributions will always be linked to the area of development.

V. Although it is not always possible or effective to use monies expanding the fire and rescue service provision closest to the development, contributions will always be used to meet the identified additional need arising from the development.

VI. The use of monies will be linked to a clear audit trail demonstrating that financial contributions have been used in a manner that meets the tests in ODPM Circular 05/2005.

6. EAST SUSSEX FIRE AND RESCUE SERVICE DEVELOPMENT PLANNING

6.1 Growth planning for ESFRS will be subject to continuous review through the Integrated Risk Management process. The outcomes of this will be used to validate the calculations for developer contributions.

6.2 In order that the fire and rescue service requirements of new developments should be adequately resourced it is proposed that contributions should be made directly to East Sussex Fire Authority through the use of Section 106. This would be managed in keeping with the guidelines agreed with the Local Authority, ESFRS and local council planning departments and the developers.

6.3 The matrix provided in Appendices A and B outlines the fire and rescue service capital calculation of a Section 106 claim for development of new dwellings and non-residential buildings across the County of East Sussex. The fire and rescue service calculates its capital requirement to be £152.82 per new dwelling (excluding VAT) for residential developments and £1.95 per square metre (excluding VAT) for non-residential developments. East Sussex Fire Authority reserves the right to amend this matrix in respect of future developments.

6.4 The calculations detailed within Appendices A and B include capital contributions towards the provision of fire hydrants within any new development scheme. Whilst this capital contribution can be secured through a planning obligation, it is the preference of ESFRS that fire hydrants should be designed into the development at the masterplan stage and implemented through a planning condition. Further information relating to the provision of fire hydrants is detailed within Appendix C.

6.5 The fire authority wishes to work with all local council planning departments to identify the most appropriate funding arrangements allowed within the new arrangements for developer contributions.

6.6 Additional planning considerations will need to be referred to at the appropriate times. A summary of these are listed below and further information relating to these can be found within the Appendix noted:

- Requirements for Fire Station new builds (Appendix D)

7. **BACKGROUND DOCUMENTS AND REFERENCES**

a) Background documents

I. The ‘Town & Country Planning Act’ 1990

II. The Planning and Compensation Act 1991

III. ODPM ‘Circular 05/2005’

IV. The Planning and Compulsory Purchase Act 2004

V. The Crime and Disorder Act 1998

VI. National Census – National Statistics Office

b) References

I. Figures taken from ESFRS management information system databases (three year average between 2010 & 2013). Agreed figures for non-residential includes ‘other residential’.

II. Average cost information from South East Water pricing policy (the service is undergoing a new approach to water main installation in conjunction with West Sussex Fire & Rescue Service. However, this will not affect individual cost of hydrant.

III. Number of dwellings and growth supplied by housing.statistics@communities.gsi.gov.uk .

IV. Number of non-residential buildings information supplied by National Office of Statistics 2014.

V. Average cost of new build of fire station (based on BCIS incorporating regional factors and allowance made for drill yard areas and training tower). Cost provided is based on a day-crewed fire station.

VI. Standard fire pumping appliance based on costs of 2016 registration appliances into Service.

VII. ESFRS fire station areas – based on average areas across the estate, supplied by East Sussex Fire and Rescue Service Estates Manager.

VIII. Cost breakdown of PPE supplied (at 2016 prices). The cost of leased PPE including the Managed Service is £461.47 per firefighter for 2016.

Additional / replacement items

I. Tunic - £250.79
II. Over trousers - £186.97
III. Fire Helmet - £221.35 + Torch £49.41
IV. Fire Hood - £36.41
V. Leather Boots - £154.02
VI. FF Gloves - £59.06
VII. Rescue Gloves - £28.53

8. FIRE AUTHORITY CONTACTS

Strategic Lead

Dawn Whittaker
(Deputy Chief Fire Officer)

20 Upperton Road
East Sussex
BN21 1EU

T: 01323 462051

E: dawn.whittaker@esfrs.org

Enquiries for Planning and Finance

Duncan Savage
(Assistant Director Resources / Treasurer)

20 Upperton Road
East Sussex
BN21 1EU

T: 01323 462054

E: duncan.savage@esfrs.org

APPENDIX A

CALCULATION OF SECTION 106 CLAIM FOR DEVELOPMENT OF NEW DWELLINGS

CAPITAL COST MODEL

1. Activity factor

Item		Data
1	Dwelling fires as a percentage of all property fires (3 year average) [a]	72%

2. Cost of new additional fire stations, appliances and equipment

Item		Data
2	Number of Households in East Sussex [b]	372,207
3	Divide by the number of fire stations	24
4	Average number of dwellings per fire station (2 ÷ 3)	15,509
5	Average build cost per fire station [v]	£2,000,000
6	Average cost of new fire appliance plus equipment [vi]	£350,000
7	**Average cost per new dwelling towards buildings, appliances and equipment (((5 + 6) ÷ 4) by new build increase**	**£152.82**

3. Annual Revenue costs of additional firefighters personal protective equipment (PPE)

Item		Data
8	Averaged establishment per fire station (FTE)	24
9	Total PPE cost per new fire station (Leased)	£11,075.28

4. Installation of fire hydrants

Item		Data
12	Average number of dwellings (within a typical estate) served by each fire hydrant	50
13	Average cost per hydrant installation	382.21
14	**Hydrant cost per dwelling (13 ÷ 12)**	**£7.65**

TOTAL SECTION 106 CLAIM PER NEW DWELLING – EXCLUDING VAT	

** **Please note that where fire hydrants are agreed as a supplementary planning condition, the hydrant cost will be removed when calculating developer contributions.**

a: includes all primary, secondary (incl. chimney) fires in dwellings irrespective of whether they were accidental, deliberate or not known between Apr 2013-Mar 2016, against all property fires.
b: 2016 data taken from https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections

APPENDIX B

CALCULATION OF SECTION 106 CLAIM FOR DEVELOPMENT OF NON-RESIDENTIAL BUILDINGS

CAPITAL COST MODEL

1. Activity factor

Item		Data
1	Non-residential building fires as a percentage of all property fires (3 year average) [a]	21%

2. Cost of new additional fire stations, appliances and equipment

Item		Data
2	Number of non-residential buildings in East Sussex[b]	36,560
3	Divide by the number of fire stations	24
4	Average number of non-residential buildings per fire station (2 ÷ 3)	1,523
5	Average build cost per fire station [v]	2,000,000
6	Average cost of new fire appliance plus equipment [vi]	370,000
7	Average cost per non-residential building (((5 + 6) ÷ 4) * 1)	1,556
8	Average floor space (sampled) [ix]	989m2
9	**Cost per non-residential building (per square metre) (7 ÷ 8)**	**£1.57 per m2**

3. Annual lease costs of additional firefighters personal protective equipment (PPE)

Item		Data
10	Average establishment per fire station	24
11	Capital cost per firefighter for PPE [viii]	1,211.25
12	Total PPE cost per new fire station	24,225
13	**Cost per non-residential building for firefighter PPE (per square metre) ((12 ÷ 4) ÷ 8)**	**£0.16**

4. Installation of fire hydrants**

Item		Data
14	**Average cost (per square metre floor area) for fire hydrant provision on a typical industrial estate (sampled data)**	**£0.38 per m2**

TOTAL SECTION 106 CLAIM PER NON-RESIDENTIAL BUILDING (per square metre) – EXCLUDING VAT (9 + 13 + 14)	**£1.95 per m2**

** **Please note that where fire hydrants are agreed as a supplementary planning condition, the hydrant cost will be removed when calculating developer contributions.**

a: includes all primary, secondary (incl. chimney) fires in non-residential buildings irrespective of whether they were accidental, deliberate or not known between Apr 2013-Mar 2016, against all property fires.
b: data taken from ONS Business Demography 2014, Table 3.1

APPENDIX C

FIRE HYDRANT PROVISION

In addition to capital costs, East Sussex Fire & Rescue Service requires fire hydrants to be installed within all developments. On average, one fire hydrant is needed for every 50 properties or 5,000m² of non-residential property (although a risk-based assessment will be required to confirm this) and the cost to install a fire hydrant is £382.21; this equates to a cost of £7.64 per dwelling or £38.20 per 100m² of commercial premises.

Whilst this capital contribution can be secured through a planning obligation, it is the preference of ESFRS that fire hydrants should be designed into the development at the master plan stage and implemented through a planning condition.

Below is a suggested standard condition for securing fire hydrants:

'The fire hydrant(s) served by the mains water supply shall be provided prior to any dwellings being occupied and to the satisfaction of the Fire & Rescue Service. The developer will incur the full cost of the hydrant(s) and its installation by the water company. It will be the duty of the developer to ensure that the fire and rescue service is consulted on the number and siting of fire hydrants in any development'.

Current arrangements with South East Water and Southern Water enable hydrants to be installed with no cost to the Fire & Rescue Service. However, the Fire Authority currently employs two hydrant technicians who oversee the installation and maintenance of all water supplies across the County of East Sussex and the City of Brighton & Hove. With potential growth, the Authority may have to increase the capacity of the team to enable a full maintenance schedule to be developed, and this will alter the cost ratio calculations given in Appendix A (current).

APPENDIX D

REQUIREMENTS FOR FIRE STATION NEW BUILDS

When building a new fire station it is essential that all factors are considered within the design to ensure that both operational and local community needs are met.

There are various staffing models in operation across East Sussex and the City of Brighton & Hove which directly influence the size of and range of facilities required. Table D1, below, gives examples of both the total Gross Internal Area (GIA) and land area requirement for new fire stations based on the duty system type. These are based on current Whole-time and Day Crewed / Retained crewing station models within East Sussex. These illustrative examples would form the basis of discussions for future new builds.

Table D1: Examples of station areas within ESFRS by duty system type

Duty System Type	Station Area (sq.m)	Site Area (sq.m)
Whole-time Station	1,300	4,400
Day Crewed Station	620	2,340
Retained Station	240	2,000

In addition, any new station will require certain facilities as standard specifications. A summary of the main requirements is listed below but, again, these would be discussed on a case by case basis dependent on the requirements of the Service:

- Minimum of 3 appliance bays for Whole-time Stations;
- Minimum of 2 appliance bays for Variable / Retained Stations;
- 3 bay ancillary garage (at Whole-time stations only);
- Training ground / drill yard (to be suitable for Breathing Apparatus and line working training);
- Training Tower;
- Breathing Apparatus maintenance room (including air compressor);
- Kitchen facilities;
- Rest area;
- Watch room;
- Lecture Room;
- Office space;
- Specific room / facility for community use;
- Safe access and egress for appliances;
- An area suitable for removal of demountable pods from prime movers;
- Diesel pump (above ground as per Engineering Manager request).

APPENDIX E

THE CASE FOR INSTALLING DOMESTIC AND RESIDENTIAL SPRINKLER SYSTEMS IN LOW COST SOCIAL HOUSING DEVELOPMENT

Introduction

The emphasis for the Fire and Rescue Service is changing from that of reacting to fires and other emergencies, to preventing and reducing their impact on individuals, communities and organisations. In developing prevention strategies, Fire Authorities are including the use of fire suppression systems, particularly sprinklers, to protect the most at risk and vulnerable in society.

The expansion of East Sussex through development provides an opportunity for planning authorities to take a national lead by applying a proactive approach towards protecting the community and infrastructure through in-built fire suppression systems.

A sprinkler installation can significantly help to mitigate the loss of life and damage to property caused by fire and the ongoing financial and social disruption to the householder or community. Virtually all fires start small but grow rapidly. If a fire can be detected soon enough and fought immediately it will take surprisingly little water to control it.

Background (Fire the facts)

- On average, around 500 people die in fires each year in the UK.
- Each day forty four people will be injured.
- Every eight minutes there is a fire in someone's home.
- 80% of fire related deaths and injuries occur in the home.
- Children from the lowest socio-economic groups are 16 times more likely to die in a fire.
- People do not die collectively in domestic fires. This reduces our perception of the extent of the problem.

Evidence suggests that certain population groups are more at risk from domestic fires. Research carried out by the Communities and Local Government (CLG) has identified groups who are more at risk of fire than the general population[1]. The vulnerable groups tend towards lower income / deprived demographic groups, specifically:

- Single middle aged people, who drink and smoke at home (aged 40-59, male bias)
- Single parents (deprived, female)
- Very elderly (deprived)
- Disabled / impaired (mobility and mental)
- Young people (16-24) – including students

In 2004, the total economic cost of fire in England and Wales was estimated at £7.03bn, equivalent to approximately 0.78% of the gross value added of the economy[2].

The average cost of a domestic fire is estimated at £24,900, of which approximately £14,600 is accounted for by the economic cost of injuries and fatalities and £7,300 is due to property damage.

The ubiquitous nature of the threat from fire is often overlooked as deaths and injuries occur sporadically and, therefore, do not have the same impact as a collective tragedy. This also affects people's views on the economic consequences of fire which are not viewed collectively.

How do sprinklers work?

Fire sprinklers are only activated when the temperature within the room in which a fire is burning exceeds the preset temperature of the sprinkler head - normally 68 degrees centigrade. This virtually eliminates false alarms; sprinklers are not activated by smoke or steam.

Sprinklers operate as individual heat sensors – meaning that water is **only** released in the area where there is a fire. Often, in a room with two sprinkler heads, only one actually operates.

[1] Department of Communities & Local Government, Research Bulletin No 9 - Learning Lessons from Real Fires: Findings from Fatal Fire Investigation Reports, July 2006 http://www.communities.gov.uk/publications/fire/researchbulletinno9

[2] Department of Communities & Local Government, The Economic Cost of Fire: Estimates for 2004, April 2006 http://www.communities.gov.uk/fire/fireandresiliencestatisticsandre/firestatistics/economiccost/

The amount of water used by a sprinkler system is far less than that used by the Fire & Rescue Service because a sprinkler tackles a fire at a very early stage. Fire fighters are on average likely to arrive at least 10 minutes after a fire has started meaning that they are likely to use one hundred times more water than a sprinkler system would use.

In those 10 minutes the fire will have grown much larger, decreasing the chance of survival for the occupant of the room, and increasing the risk to a firefighter's life.

Data collected over 30 years suggests that the chances of a sprinkler head malfunctioning are estimated to be extremely remote, perhaps no more than 1 in 15 million. This is a thousand times less likely than a domestic water leak.

<u>Benefits of sprinkler systems in domestic properties</u>

Sprinklers have been incorporated into commercial buildings for over 130 years and were originally seen and developed as a means of reducing fire losses to property and contents.

Over recent years there has been a growing recognition of their use providing a major benefit as a means to contributing to life safety in all domestic premises. This is now recognised in current UK guidance to the Building Regulations 2006.

- **There have never been multiple fatalities (2+) in a residential dwelling house fitted with a working sprinkler system in the United Kingdom.**

- Indeed, it has been estimated that 11 lives have been saved by systems in the UK since the late 1990s despite the limited coverage of sprinkler systems in the current domestic environment.

- It is estimated that property losses in buildings protected with sprinklers are one tenth of those in unprotected buildings. This supports the argument for building sustainable communities.

- Sprinklers not only detect a fire and sound an alarm, but they also control and, in the majority of cases, extinguish the fire.

- Conditions for firefighters entering a building involved in a fire are much less hazardous and arduous than if the fire had developed unchecked.

- Environmental Benefits – sprinklers use substantially less water to control and extinguish a fire compared to the amount required by the Fire & Rescue Service. Sprinklers protect the environment by controlling a fire in its early stages; significantly reducing airborne pollution, fire water run off and reducing the carbon footprint.

The vulnerable groups that live in the low cost social housing may not be able to help themselves due to the influence of drugs, alcohol or medication. Young children, the elderly and the disabled may still have difficulty escaping quickly.

Domestic and Residential sprinkler systems act for those who can't act for themselves.

Are they cost effective?

Yes: According to: The National Institute of Standards & Technology (NIST) in America – following a 30 year study (Science Daily – 15 Oct 2007):

- 100% reduction in civilian fatalities

- 57% reduction in civilian injuries

- 32% reduction in property damage

- Insurance benefits

In order to make sprinklers more attractive for installation, a balanced approach should be adopted, between highlighting the economic, societal and practical benefits, and actively working to overcome obstacles to their installation.

The main cost associated with fire sprinkler systems is the capital cost of installation. There are also on-going maintenance costs.

The cost for new build domestic dwellings is estimated to be about 1% to 1.5% of the total cost of construction. To put this into perspective it is cheaper than a central heating system or a reasonable carpet, and it is expected to last in excess of fifty years! Annual maintenance costs are between £75 and £150 per annum.

If the provision of a sprinkler system is properly considered at the design stage, it is usually possible to permit the introduction of design freedoms that can reduce building costs and allow innovative designs such as open plan homes. Areas that may be considered for relaxation of Building Regulations are:

- Access and facilities for the Fire Service;
- Alternative escape (secondary);
- Fire resistance requirements for loft conversions;
- Escape travel distance;
- Inner rooms;
- Internal protected stairways, corridors or hallways;
- Heat detectors;

- Compartmentation between ‘purpose groups’;
- Internal linings;
- Firefighting equipment;
- Intumescent door seals.

Water supplies – There have been widely varying costs nationally to secure the adequate provision of a water supply for domestic sprinkler systems. This, combined with some of the water industry’s other concerns, particularly those of guaranteed supply and legal liability, have led to a perception that the supply of water is a stumbling block preventing such installations. However, the document “guidelines for the supply of water to fire sprinkler systems”,[7] has gone some way to set aside any negative perceptions.

The accepted sprinkler standard for residential and domestic occupancies is **BS9251:2005.** There is limited scope for offsetting the cost of installing a system to the British Standard, although with lobbying of appropriate bodies and competitive tendering for a large scale project in respect of the installation costs, the amounts could be reduced considerably.

Experience in the USA has shown that, in areas where domestic sprinklers have been made compulsory, large scale installation and competition between installers has resulted in costs of systems being reduced by around 50%

Case Studies

Vancouver

- 1973 There were nine deaths per 100,000 population
- 1973 Task force established to investigate and recommend solutions
- Sprinklers fitted in shared housing, hotels and extended to hospitals and nursing homes
- 1990 Sprinklers ‘by-law’ in place for all new builds
- 1990’s Deaths fell to less than one per 100,000 population
- 1998 26% of city housing stock had sprinklers fitted
- 2005 37% of city housing stock had sprinklers fitted

[7] Guidelines for the supply of water to fire sprinkler systems. FSA / BASA / Water UK.

Scottsdale, Arizona

- Population 223,000.

- No deaths in sprinklered buildings (past 15 years, up to 2006).

- Civilian fire fatality rate reduced by 50%.

- 49,000 homes sprinklered by 2006.

- 85% of all commercial buildings installed with sprinklers.

Studley Green, Wiltshire

- 1999-2002 – 212 houses built, all sprinklered.

- Two actuations in that period, both fires extinguished by the sprinklers.

- One life has been saved.

Scotland 2004

In January 2004, 14 elderly residents died in Rosepark nursing home after a fire in a cupboard, the premises did not have sprinklers fitted.

This has resulted in Scottish Building Regulations being reviewed and amended.

All new build care and nursing homes in Scotland must now have sprinklers fitted.

Wales 2007

Ann Jones, a Welsh Assembly member, has won the ballot to bring forward a Legislative Competence Order (LCO).

This will allow devolved powers to the Welsh Assembly for the transfer of Building Regulations so that an Assembly measure may be brought forward requiring all new build residential premises and all properties subsequently converted to residential use in Wales to be fitted with a fire sprinkler system.

The objective of the proposed LCO is to reduce the incidence of death and injury from fires in new build housing in Wales. This is to be achieved through a requirement for fire sprinkler systems to be fitted in all new build housing.

This is seen as a preventative measure so that people can get out of their homes in the event of a fire occurring. For those people that are unable to react and escape on their own, a sprinkler system provides additional life protection prior to Fire & Rescue Service intervention.

Sprinklers will also reduce the risk to firefighters who are called to deal with domestic fires.

It is intended that the LCO covers all newly constructed dwellings and extensions or alterations to existing dwellings where a significant amount of work is carried out, plus the conversion of properties from another use to residential use.

Conclusion

The effectiveness of domestic sprinklers in protecting life and property, whilst also reducing economic and environmental consequences, is not in question. This can be demonstrated through actual examples, in both domestic and commercial settings, and from research. The wider provision of such systems in the domestic scenario revolves around the initial cost of installation – in terms of both the system itself and water supply.

The cost of system installation and maintenance is continually reducing with advances in technology. Further reductions can be anticipated as the domestic market expands and competition for business increases.

It can be seen from the evidence presented above, particularly in relation to Canada and the USA, that sprinklers can have a dramatic effect on the future of the individual, communities and the sustainability of society by preserving life and protecting property.

ESFRS wishes to work together with all planning authorities within the county, to provide stronger, safer and sustainable communities; Domestic sprinkler systems installed in low cost social housing will help all parties to achieve these goals.

Recommendations

- ESFRS strongly recommends that all planning authorities require domestic or residential sprinkler systems to be installed within all new build social housing. These premises are: tenant lets, housing association, dwellings with access for wheelchair users or other mobility impaired users, etc. This must include all single private dwellings, flats, shared housing and Houses in Multiple Occupation, (HMO)s.

- ESFRS strongly recommends that all planning authorities require residential sprinkler systems to be installed in all new build sheltered accommodation and care homes.

Further information

In 2004 the Local Government Association (LGA) produced a paper called "automatic sprinklers a tool kit for domestic properties." It was designed for Local Authorities who are developing social and private housing. The document can be accessed via www.lga.gov.uk or the National Fire Sprinkler Network (NFSN) website www.nfsn.co.uk then follow – Case studies-Residential-LGA sprinklers Domestic Properties.