



**EAST SUSSEX FIRE AUTHORITY**  
**POLICY & RESOURCES PANEL**  
**THURSDAY 19 JANUARY 2017 at 10:00**

**MEMBERS**

**East Sussex County Council**

Councillors Barnes, Howson, Lambert, Pragnell and Scott

**Brighton and Hove City Council**

Councillors O'Quinn and Theobald

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

**AGENDA**

Item No.	Page No.	
036.	1	In relation to matters on the agenda, seek declarations of any disclosable pecuniary interests under Section 30 of the Localism Act 2011.
037.	1	Apologies for Absence.
038.	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).
<a href="#"><u>039.</u></a>	3	Non-confidential Minutes of the last Policy & Resources Panel meeting held on 3 November 2016 (copy attached).

Item No.	Page No.	
040.	2	<p>Callover.</p> <p>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.</p>
<a href="#">041.</a>	9	Fire Authority Service Planning processes for 2017/18 and beyond – Revenue Budget 2017/18 and Capital Strategy 2017/18 to 2021/22 – joint report of the Chief Fire Officer and Assistant Director Resources / Treasurer (copy attached)
<a href="#">042.</a>	51	Revenue Budget and Capital Programme Monitoring 2016/17 – joint report of the Chief Fire Officer and Assistant Director Resources / Treasurer (copy attached).
043.	2	<p>Exclusion of the Press and Public.</p> <p>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.</p> <p><b>NOTE:</b> 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 &amp; Rescue Service Headquarters, 20 Upperton Road, Eastbourne, and at Brighton and Hove Town Halls.</p>
044.	67	Service Headquarters Disposal – confidential report of the Assistant Director Resources / Treasurer (copy attached). (Exempt category under paragraph 3 of the Local Government Act 1972).

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

**EAST SUSSEX FIRE AUTHORITY**

**Minutes of the meeting of the POLICY & RESOURCES PANEL held at East Sussex Fire & Rescue Service Headquarters, 20 Upperton Road, Eastbourne at 11:05 hours on Thursday 3 November 2016.**

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

**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) and Mrs. A. Bryen (Clerk).

**027. DISCLOSABLE PECUNIARY INTERESTS**

027.1 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.

**028. APOLOGIES FOR ABSENCE**

028.1 There were no apologies for absence.

**029. NOTIFICATION OF ITEMS WHICH THE CHAIRMAN CONSIDERS URGENT / CHAIRMAN'S BUSINESS**

**029.1 Fire Minister's meeting with FRSs**

The Chairman updated Members on a recent meeting with the Fire Minister who had taken a positive stance about Fire & Rescue Services delivering national objectives. The Minister also confirmed that he would be considering business cases from Police & Crime Commissioners seeking to explore governance changes in Fire Authorities on an individual and meritorious basis. The Chairman said that he had again put forward the case for sprinkler systems to be installed in all new build domestic premises but had been told that more support from MPs was needed before this could be considered for legislation.

**029.2 The Adrian Thomas Review**

The Chairman informed Members that the independent review into conditions of service for fire & rescue service staff by Adrian Thomas had been published. This review had been commissioned some 18 months earlier by the then Fire Minister Penny Mordant. The review outlined conditions of service for Chief Fire Officers and firefighters, and the possible barriers to reform, improvement and efficiency of fire and rescue services. The report covered five key findings: the working environment, conditions of service, industrial relations, retained duty systems and management of fire and rescue services. The Chief Fire Officer informed Members that he would be formulating a response and would keep Members informed about any press releases issued by the Service.

030. **NON-CONFIDENTIAL MINUTES OF THE POLICY & RESOURCES PANEL MEETING HELD ON 7 JULY 2016**

030.1 **RESOLVED** – That the minutes of the meeting held on 7 July 2016 be approved as a correct record and signed by the Chairman. (Copy in Minute Book).

031. **CALLOVER**

031.1 Members reserved the following items for debate:

032. Revenue Budget and Capital Programme Monitoring 2016/17

033. Treasury Management – Half Year Review for 2016/17

034. Contributions from Development Schemes

032. **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2016/17**

032.1 The Panel considered a joint report of the Chief Fire Officer and Assistant Director Resources / Treasurer that reported on issues arising from the monitoring of the 2016/17 Revenue Budget and Capital Programme as at 30 September 2016. (Copy in minute book).

032.2 Members noted that the Revenue Budget was forecast to be underspent by £262,000, which was 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 had slipped.

032.3 The overall Capital Programme was projected to be £13,000 underspent but Members noted that there was a risk that the current year's spending profile may slip for some schemes.

032.4 Members considered a summary of the current planned use of Reserves, and a summary of the savings, £1,864,000, already taken from the 2016/17 budget.

032.5 Councillor Barnes said that projected revenue underspend was more than anticipated, and asked what proportion would be carried forward and what proportion related to vacant posts. The Treasurer said that the Assistant Director Safer Communities had carried out an in-depth analysis of the whole-time budgets which had been previously overspent; some posts had been deleted from the establishment in the current year and next year. The changes in the Firefighters Pension Scheme brought about by Norman v Cheshire and the retained modified scheme had created a major area of fluctuation in the budget. There had also been slippage in the Programme Management Office resulting in an under-spend of £134,000, although it was anticipated that an appointment would be made in Q3. The Treasurer said that some areas of underspend would be factored into next year's proposals.

- 032.6 Councillor Scott asked if the vacancies were due to a policy of not recruiting or difficulty in attracting suitable candidates. The Chief Fire Officer said that there were a number of vacancies in HQ which were being held open for the time being to redeploy staff should the need arise. The recent appointment to the post of Assistant Director Safer Communities would release a number of temporary appointments.
- 032.7 The Treasurer said that there remained a number of risks and uncertainties in the budget including the cost of IMD transformation, and the work to the ESFRS properties arising from the planned move of HQ.
- 032.8 The Chief Fire Officer informed Members that the marketing of ESFRS HQ building would start in the next week or so, with bids expected in January 2017. The cost of relocating from Eastbourne would include refurbishment of Eastbourne, Lewes and Bexhill fire stations to accommodate staff moves. The project for the move of HQ to Lewes was continuing, and he anticipated the Heads of Terms would be agreed by the beginning of December. The target date for the move was the end of March 2017 and any exception reports would be brought to Members as necessary.
- 032.9 The Chief Fire Officer informed Members that a report would be brought to the Fire Authority in December 2016 on the progress of the Sussex Control Centre. The independent review by Blue Light Works commissioned by the Home Office had concluded and a draft report issued, and he would be meeting with Home Office staff on 9<sup>th</sup> November to respond. The report had broadly concluded that there was a good chance of success in delivering the project, and made a number of recommendations to fulfil the project. A factory acceptance test was due at the end of January 2017 with an anticipated 'go-live' date in June 2017. The whole project should be completed by December 2017.
- 032.10 **RESOLVED** –That the following be noted:
- (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.

033. **TREASURY MANAGEMENT – HALF YEAR REVIEW FOR 2016/17**

- 033.1 The Panel considered a report of the Assistant Director Resources / Treasurer that was a requirement of the Fire Authority's reporting procedures and covered the treasury activity for the first six months of 2016/17. The report included an update on the first half year of Prudential Indicators which related to the treasury activity. (Copy in minute book).

- 033.2 The Fire Authority had complied with its approved Treasury Management Strategy and Prudential Indicators during the first six months of the year, and Members noted that the average rate of interest received through Treasury Management activity was 0.60% which reflected the Fire Authority's continuing prioritisation of security and liquidity over yield. The Bank of England had cut bank base interest rates from 0.50% to 0.25% on 4 August 2016 and this reduction would have a significant impact on investment returns. Members were informed that further cuts could not be discounted, which would mean a longer term lower interest rate environment than previously forecast.
- 033.3 Members noted that no new borrowing had been undertaken in 2016/17 to date. There had been no beneficial opportunities to reschedule debt so far during the year. The projected outturn of the Fire Authority's Capital Financing Requirement, (a measure of the underlying need to borrow), was £10.973m.
- 033.4 Members discussed the volatility following the Brexit referendum, and the impact that the imminent American presidential election could have on the economy. The Treasurer said the risks had been mitigated as far as possible with the Authority's investment portfolio, and there was little that could be done that would benefit the Authority's investment position, which remained prudent in line with the Authority's view for security and liquidity over yield. The Chief Fire Officer said that there was no common view across Fire & Rescue Services about what impacts these issues could have, but it was important to ensure that ESFA had a strong and flexible budget.
- 033.5 **RESOLVED** – That the treasury management performance for the first half year of 2016/17 be noted.

034. **CONTRIBUTIONS FROM DEVELOPMENT SCHEMES**

- 034.1 The Panel considered a report of the Deputy Chief Fire Officer (DCFO) that presented a framework document for approval that would ensure future local authority development plans considered the needs of Fire & Rescue Service provision of service as part of schemes that delivered growth in houses, commercial buildings and infrastructure. (Copy in minute book).
- 034.2 Members noted Government plans that required every local authority to assess growth and development plans as part of the delivery of suitable and sufficient housing. This meant that, in East Sussex, the need for in excess of 20,000 additional homes and associated employment and infrastructure had been identified. This would have the potential to significantly increase the demands on current fire and rescue service resources.
- 034.3 It was noted that local planning authorities were at various stages of development in delivery of these plans and, to date, ESFRS had not presented a requirements framework to these authorities for impacts of growth to be considered as part of growth development plans.

034.4 The DCFO informed Members that the options for ESFRS within development schemes included a range of costs, such as vehicles, property, and home safety measures. The aim of the Service was the provision of safer homes. The Framework Document could be used in either Section 106 negotiations (Town & Country Planning Act 1990) or the Community Infrastructure Levy. Members welcomed the Framework Document to enable contributions to be sought from developers where schemes had the potential to increase demand on the Service. It was emphasised that grant and funding applications could be lower if developers included in-built sprinklers or other suppression measures to make buildings safer.

034. **RESOLVED** – That:

- (i) the draft Framework Document for ESFRS be approved and circulated to all local planning authorities before the end of November 2016; and
- (ii) officers be asked to use the basis of the framework to seek contributions from future development schemes.

035. **EXCLUSION OF PRESS AND PUBLIC**

035.1 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 11:55 hours.

Signed

Chairman

Dated this                      day of                      2017





**EAST SUSSEX FIRE AUTHORITY**

<b>Panel</b>	Policy & Resources
<b>Date</b>	19 January 2017
<b>Title of Report</b>	Fire Authority Service Planning processes for 2017/18 and beyond – Revenue Budget 2017/18 and Capital Strategy 2017/18 to 2021/22
<b>By</b>	Chief Fire Officer and Assistant Director Resources / Treasurer
<b>Lead Officer</b>	Warren Tricker, Finance Manager

<b>Background Papers</b>	Fire Authority 8 September 2016: 2017/18 Strategic Service Planning and Medium Term Financial Plan Fire Authority 8 December 2016: Integrated Risk Management Plan 2016 consultation.
--------------------------	--

<b>Appendices</b>	A – Medium Term Finance Plan 2017/18 – 2021/22 B – Revenue Budget Summary 2017/18 C – Fees and Charges D – Medium Term Capital Strategy 2017/18 – 2021/22 E – Reserves and Balances Policy F – Precept for 2017/18 G – Establishment 2017/18
-------------------	--

**Implications**

<b>CORPORATE RISK</b>	✓	<b>LEGAL</b>	✓
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>	✓	<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	
<b>EQUALITY IMPACT ASSESSMENT</b>			

<b>PURPOSE OF REPORT</b>	To present the Fire Authority's draft Revenue Budget 2017/18, Capital Strategy 2017/18 – 2021/22 and Medium Term Finance Plan for 2017/18 – 2021/22 for initial consideration prior to its formal consideration by the Fire Authority at its meeting on 14 February 2017
--------------------------	--

## EXECUTIVE SUMMARY

The Authority's budget proposals for 2017/18 and its 5-year Medium Term Finance Plan (MTFP) have been updated to reflect:

- The Local Government Finance Settlement which has been announced on a provisional basis with a consultation period to 12 January 2017
- The Minister of State for Policing and the Fire Service's acceptance of the Authority's 4-year Efficiency Plan and the resulting access to a multi-year settlement up to and including 2019/20
- The pressures, growth bids and savings identified through the business planning and budget setting process.

Final information on council tax and business rates income is still outstanding from the billing authorities.

The Authority has continued to make good progress in identifying and agreeing savings proposals over the last 12 months. The latest version of the MTFP shows that the Authority has already identified £1.350m of savings in 2017/18 and a total of £1.937m savings in total over the life of the MTFP.

Officers will continue to explore the potential for further savings as part of the integrated business planning and budget setting process and through collaboration with partners.

The budget has been developed to facilitate the delivery of the Authority's purpose and commitments and the priorities set out in the Integrated Risk Management Plan (IRMP) 2017-20, which was consulted upon during 2016. As the IRMP priorities are further developed the financial implications will then be built into future budget plans.

The report outlines proposals for setting a balanced revenue budget for 2017/18, including commitments and growth bids, which will be subject to the Authority agreeing a 1.94% increase in its council tax in line with its existing budget strategy. The MTFP sets out how the Authority plans to achieve a balanced budget over the medium term.

The Capital Strategy reflects the Authority's identified capital investment requirements for the next five years which can be financed from existing resources without the need to incur additional borrowing. A further review of both the Capital Strategy and our arrangements for the future funding of its delivery will be undertaken during 2017/18 to reflect the investment proposals in the revised IMD and Estates Strategies.

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

---

**RECOMMENDATION**     The Panel is recommended to:

1. Note that:
    - (a) the Government has approved the Authority's Efficiency Plan, however the multi-year settlement as set out in the Local Government Finance Settlement is only provisional at this stage and may be subject to change; and
    - (b) the council tax and business rate bases and the Collection Fund positions are still awaited and that final budget proposals may change once this information is received;
  2. Recommend that the Fire Authority, subject to any changes as a result of recommendation 1, approves:
    - (a) an increase in council tax of 1.94% and thus approves:
      - (i) the budget proposals set out in this Report and the net budget requirement of £37.422m for 2017/18;
      - (ii) the council tax requirement of £25.084m; and
      - (iii) the council tax and precepts as set out in Appendix F
    - (b) the capital programme for the next five years and the capital budget of £4.530m for 2017/18 and the plans to use capital grant, capital receipts and revenue contributions to finance capital expenditure;
    - (c) the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;
    - (d) the fees and charges set out in Appendix C; and
    - (e) that the Chief Fire Officer, in consultation with the Chairman and Treasurer, be authorised to make any adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.
-

## 1. **INTRODUCTION**

- 1.1 The report sets out the proposed Revenue Budget for 2017/18, a revised MTFP for 2017/18 – 2021/22 as well as the proposed Capital Strategy and Capital Programme for the Authority for the period 2017/18 to 2021/22 for the Panel to consider. The report is based on the latest information available, but Members should note that the offer of a multi-year settlement as described in the 2016/17 local government finance settlement may still be subject to change and that the final council tax and business rate bases and the Collection Fund positions are still outstanding.
- 1.2 This Report recommends that the Authority approves a 1.94% increase in council tax which reflects the assumption set out in the existing MTFP. This would involve setting a net budget requirement of £37.422m, a council tax requirement of £25.084m and increasing band D council tax to £88.40 for 2017/18.
- 1.3 The proposed Revenue Budget and MTFP reflect the 4-year settlement following the Home Office acknowledgement of the Authority's 4-year Efficiency Plan and the underlying sustained reductions in funding for public services as the Government seeks to reduce the national deficit.
- 1.4 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months. The latest version of the MTFP considers the roll-forward of the existing Plan to include 2021/22, savings from the change to appliance ridership proposals, the senior management restructure and the Service Headquarters Relocation Project, budget pressures, growth bids, other changes to spending plans, the multi-year local government finance settlement and latest information on council tax and business rates. Taken together these show that the Authority has already identified £1.937m of savings for delivery which would meet its funding gap up to 2021/22 and can continue its policy of using budget flexibility to make additional revenue contributions to fund the cost of the capital programme.
- 1.5 There remain several uncertainties for funding in 2017/18 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The acknowledgement of the Authority's 4-year efficiency plan and the multi-year funding figures for the period 2017/18 to 2019/20 is welcome and will support our strategic and financial planning for the future. However, there remains uncertainty after this end of this period. The Government has also committed that by the end of the Parliament local government will retain 100% of business rates revenues to fund local services. Local government grant will be phased out and additional responsibilities will be devolved to local authorities. How this will impact on fire authorities is not yet clear, and the Home Office has yet to respond to a consultation on removing Fire Authorities from the Business Rate funding system and replacing the associated revenue by a grant.
- 1.6 The Authority has reviewed its strategy and IRMP during 2016/17, and following public consultation has agreed a new purpose and commitments, and several IRMP priorities. We have aligned the budget setting process to this review and will continue to do so as the IRMP priorities are developed further. This will ensure that the Authority can match Service priorities to available resources and, therefore, achieve financial sustainability over the medium term.

## 2. **ECONOMIC OUTLOOK**

- 2.1 The general state of the economy is an important factor in setting the Authority's revenue budget and MTFP over the next five years. The UK economy has continued to show growth during 2015 with Gross Domestic Product (GDP) reaching 2.2%. In the medium-term GDP forecasts have been revised downwards moving from 2.1% down to 1.4% before recovering to 2.0% by 2021. The Office for Budget Responsibility (OBR) also predicts that unemployment will increase from 4.8% now to 5.5% by 2018 before falling back to 5.4% by 2021/22. The OBR express surprise that, given the low levels of unemployment, wage growth remains subdued, although in some industries increases are significant (construction sector wage growth reached 8.6% in the three months to June 2016). The OBR forecasts make several assumptions regarding the outcome of the UK referendum on membership of the European Union.
- 2.2 The Government is no longer on course to balance the budget during the current Parliament and has formally dropped this ambition in a significant loosening of its fiscal targets. Public sector net debt as a % of GDP peaked at 84.2% in 2015/16, and the OBR expects it to continue to rise to 90.2% by 2017/18 before falling to 81.6% by 2021/22.
- 2.3 The official UK bank interest rate reduced from 0.5% to 0.25% in August 2016 and the Authority's advisors see no increase until 2019.
- 2.4 Consumer Price Inflation (CPI) is forecast to be 0.7% for 2016. The OBR expects it to climb to 2.3% in 2017 and 2.5% in 2018 before stabilising at 2%.

## 3. **NATIONAL FUNDING**

- 3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from three main sources: council tax; Revenue Support Grant; and business rates (both locally retained income and a top up grant). The Government has announced that it intends to fully localise business rates by 2019/20 and this will result in the final withdrawal of revenue support grant. It is expected that this change will be revenue neutral, and that Government may devolve additional responsibilities to local authorities as part of the process. There has been high level consultation on some principles during the year but the Government has yet to publish its response. There is no further information on the question raised in the consultation as to whether fire authorities should continue to receive funding through the business rates system after 2019/20 or instead receive a grant from Government. It is also possible that income from business rates may also be affected should local devolution bids be successful.
- 3.2 The provisional LGFS was announced on 15 December 2016 and a letter from the Minister of State for Policing and the Fire Service on 14 December confirmed the offer of a multi-year settlement as described in the 2016 LGFS for the period up to 2019/20. The Minister only expects these to change in exceptional circumstances and the result of statutory consultation processes. He also acknowledges they will change in circumstances of transfer of function and merger.

- 3.3 The Local Government Finance Report (England) 2017/18 is due to be debated in mid-February when, if approved, the LGFS will become final. It is recommended that power is delegated to the Chief Fire Officer, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.
- 3.4 The multi-year settlement does not address the remaining two years of the Authority's MTFP and there is a significant degree of uncertainty given that there will be changes to the business rates system and potentially a change of Government. At this stage we have modelled on the basis that settlement funding assessment will remain static for these final two years i.e. that the total funding from business rates and revenue support grant will remain unchanged.
- 3.5 The Government has extended reliefs on business rates for small and rural businesses and it is assumed that any losses will be compensated for by a S31 grant. The Government has not yet provided indicative figures for the S31 grant which will also be affected by the 2017 Business Rate Revaluation and we will not know the actual amount until billing authorities submit their NNDR1s at the end of January so we have continued to model using our existing assumptions.
- 3.6 As part of the 2011 Localism Act, Council Tax capping in England has been abolished and has been replaced by new powers for residents to approve or veto excessive Council Tax increases through a local referendum. Any decision to trigger a referendum would incur a significant cost in carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling. The Government has confirmed that it will set a referendum threshold of 2% for Fire & Rescue Authorities for 2017/18 and we have continued to assume that the Fire Authority will raise Council Tax by 1.94% each year until 2021/22.
- 3.7 There has been no announcement on specific grants for the fire & rescue service to date. We have continued to model on the basis of assurances given earlier in the year that both FireLink and New Dimensions grants would be protected for 2017/18.

#### 4. **MEDIUM TERM FINANCIAL PLAN**

- 4.1 The MTFP (Appendix A) reflects the impact of the multi-year LGFS and the latest information on business rates and council tax (this will not be finalised until later in January). For 2020/21 and 2021/22 we have assumed that in line with the Government's commitment to localise 100% of business rates the total of settlement funding assessment will remain the same as in 2019/20 (albeit the component parts will obviously be different).
- 4.2 The MTFP reflects our initial modelling of these factors and includes the following key assumptions:
- acceptance of the multi-year settlement as set out in the LGFS 2016 and a 49% reduction in Revenue Support Grant over the MTFP, with no decrease in 2020/21 or 2021/22 assuming that baseline funding will be static as a result of 100% Business Rates Retention;
  - Growth in Council Tax base of 1.35% for 2017/18 and 0.67% thereafter;

- Increases of 1.94% in Council Tax each year from 2017/18 onwards;
- Provision for pay increases of 1.5% in 2017/18 and 2018/19 and 2.0% thereafter;
- Provision for price increases of 2.5% for the duration of the MTFP;
- Delivery of savings in line with agreed plans including the reductions in crewing agreed by the Authority at its December 2015 meeting which will be fully implemented by 31 March 2018.

- 4.3 Overall, current forecasts for Collection Funds indicate an expected deficit on the business rates collection fund of £100,000 and a surplus on the council tax collection fund of £150,000, meaning an overall estimated net surplus of £50,000.
- 4.4 For 2017/18 pay inflation for all terms and conditions is 2.0% which equates to £497,000, but included in the savings there is a reduction of £123,000 which equates to 0.5% of the total pay bill. This gives a net pay inflation assumption of 1.5% or £374,000.
- 4.5 The view is that this is a prudent assumption and has been part of the MTFP for some time. Whilst the Government has restated its commitment to average pay rises of 1% across the public sector the 1.5% assumption gives the Authority some flexibility to deal with pressures in the system should they arise, including the current job evaluation review being carried out on green book roles, and to pursue local / national flexibility in the wake of the Thomas Review.
- 4.6 The assumption for price inflation in the 2017/18 revenue budget and the remainder of the MTFP is 2.5% and this is based broadly on the forecasts from the OBR and the Authority's advisors.
- 4.7 The MTFP now forecasts a net expenditure reduction of 2.6% to 2017/18 and 0.7% to 2018/19 with subsequent increases of 1.1% to 2019/20, 1.8% to 2020/21 and 1.9% to 2021/22. Considering all of the underlying assumptions set out above in paragraph 4.2 and the Authority's savings plans, this indicates that the Authority can achieve a balanced budget for 2017/18 and for the duration of the MTFP.
- 4.8 There is a range of risks that has the potential to impact on the Authority's ability to deliver its budget plans over the medium term to which Members must give consideration, primarily:
- Our ability to deliver the savings set out in the MTFP
  - Uncertainty about future governance and funding including:
    - The impact of the Policing and Crime Bill
    - Development of local devolution proposals
    - Proposals for the 100% business rates retention / funding regime beyond the current multi-year settlement
    - The potential impact of the UK's decision to leave the EU
    - The impact of local growth development plans and additional housing, road and commercial risks

The Authority has made provision to manage financial risks and in year pressures through both the contingency within the Revenue Budget (set at £315,000 for 2017/18) and the Reserves and Balances Policy.

**5. PROJECTED REVENUE POSITION 2016/17**

5.1 The Service Revenue Budget for 2016/17 is £38.432m. Based on figures to the end of November 2016 the revenue budget is forecast to underspend by £528,000.

5.2 No decision on the use of the underspend is required at this point, but a decision in principle is sought elsewhere on this agenda.

**6. REVENUE BUDGET 2017/18**

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

6.1.1 The Revenue Budget Summary for 2017/18 and the MTFP have been updated to reflect the offer of a multi-year LGFS and the most recent information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. As a result, there is no overall change in the figures. The position is summarised below in Table 1.

6.1.2 At this stage, we have included £100,000 income from the East Sussex Business Rates Pool within the 2017/18 budget, a change from the September update to the Authority. The Pool remains in place and a decision needs to be taken by the end of the LGFS consultation period as to whether any partners wish to de-pool as a result of the risk posed by the 2017 Revaluation.

**Table 1 – Summary of Impact of Local Government Finance Settlement**

	<b>2017/18 £'000</b>
Locally Retained Business Rates	2,599
Top Up Grant	4,821
Business Rates Baseline	7,420
Revenue Support Grant	4,524
<b>Settlement Funding Assessment</b>	<b>11,944</b>
Estimated value of Business Rates Pool included above	(100)
Transition Grant	122
S31 Grant - Business Rates Adjustment	222
<b>Total for comparative purposes</b>	<b>12,188</b>
As reported to Fire Authority 8 September 2016	12,188
<b>Increase/(decrease) in funding</b>	<b>0</b>



- 6.1.3 Since the localisation of Council Tax Support Grant in 2013/14, billing authorities have been required to approve their own local Council Tax Reduction Schemes (LCTRS). Initially these schemes set out to recover the 10% reduction in national funding by reducing support for certain council taxpayers, alongside changes to existing discounts and exemptions. All local billing authorities except Hastings Borough Council have changed their LCTRS for 2016/17 to reduce the level of support available thereby reducing the cost of the LCTRS. Only Brighton & Hove City Council proposes to change its LCTRS for 2017/18 and the impact on the Authority is likely to be a small rise in income but this will not be reflected in the MTFP until final council tax base figures are received.
- 6.1.4 The Authority's council tax base for 2017/18 is calculated as 283,752.70, an increase of 1.35% on 2016/17 (279,522.19). If the Authority were to increase its council tax as currently modelled by 1.94% this would provide income of £25.084m as previously modelled. Each 1% increase in council tax yields additional income of £0.244m using the 2017/18 council tax base.
- 6.1.5 Based on the latest information available we have assumed that there will be a surplus of £0.150m on the Council Tax Collection Fund and a deficit on the Business Rates Collection Fund of £0.100m for distribution in 2017/18. Members should note that any net collection fund surplus is a one-off benefit only.
- 6.1.6 The latest resource position is reflected in the Revenue Budget Summary and the MTFP and includes the latest available figures from the Local Government Finance Settlement. There is a small shift between Top Up grant and locally retained Business Rates, however, our estimate of the total income from business rates remains unchanged except for the introduction of £100,000 Business Rates pool income. The position is summarised below in Table 2.

**Table 2: Movement in Resources**

	2017/18	2017/18	
	Latest position	Fire Authority September 2016	Increase / (Decrease)
	£'000	£'000	£'000
Locally Retained Business Rates	2,599	2,458	141
Business Rates Top up	4,821	4,862	(41)
Business Rates Baseline	7,420	7,320	100
Revenue Support Grant	4,524	4,524	0
<b>Settlement funding assessment</b>	<b>11,944</b>	<b>11,844</b>	<b>100</b>
Council Tax Collection Fund Surplus / (Deficit)	150	150	0
Business Rates Collection Fund Surplus / (Deficit)	(100)	(100)	0
Section 31 grant Business Rates adjustment	222	222	0
Transition Grant	122	122	0
<b>Total Funding</b>	<b>12,338</b>	<b>12,238</b>	<b>100</b>
<b>Council Tax Options</b>			
Council Tax Requirement	25,084	25,084	0
<b>Total Resources</b>	<b>37,422</b>	<b>37,322</b>	<b>100</b>

## 6.2 Overview of current budget proposals

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

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

- 6.2.2 The Authority identified that it had a funding gap of £7.1m in July 2013 and subsequently embarked on a phased programme called 'Changing the Service, Shaping our Future' to identify and evaluate savings proposals. Through this Programme the Authority has since approved a range of operational and non-operational savings proposals which have, in combination with pre-existing savings initiatives, so far delivered revenue budget savings totalling £4.564m with a further £1.937m identified for delivery by 2021/22.
- 6.2.3 The Authority has reviewed its strategy and IRMP during 2016/17, and following public consultation has agreed a new purpose and commitments, and several IRMP priorities. We have aligned the budget setting process to this review and will continue to do so as the IRMP priorities are developed further. This will ensure that the Authority can match service priorities to available resources and achieve financial sustainability over the medium term. At this stage the only direct financial implications are for the Immediate Emergency Care Responding (IECR) pilot which will be funded from a combination of earmarked reserves and existing revenue budgets.
- 6.2.4 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves & Balances. The 2017/18 Revenue Budget has been prepared against a background of continued reductions in funding for public services as part of the Government's continuing deficit reduction strategy.

**Table 3 – Summary of Net Budget Requirement**

	£'000	Change on Original Estimate %
<b>Original Estimate 2016/17</b>	<b>38,432</b>	
Pay inflation	497	1.29%
Non pay inflation	227	0.59%
Changes in capital financing	(2)	(0.01%)
Commitments: see Table 4	(382)	(0.99%)
Savings: see Table 5	(1,350)	(3.51%)
<b>Original Estimate 2017/18</b>	<b>37,422</b>	<b>(2.63%)</b>

### 6.3 Consultation

- 6.3.1 The Authority has carried out an 8-week public consultation on its Integrated Risk Management Plan 2017-2020. The full results of the consultation were reported to the Fire Authority at its meeting on 8 December 2016 (Item 959). It had a broader reach than in previous years as a result of an extensive communication strategy and concentrated engagement from Fire Authority members. The quantitative on-line survey received 588 responses and qualitative feedback was gathered at 3 consultation fora.

- 6.3.2 Opinion Research Services was commissioned by ESFRS to undertake an online questionnaire as part of ESFRS's emergency cover review consultation. The online questionnaire was available to complete from 12 September until 7 November 2016. The questionnaire was available to residents, representatives from business, public and voluntary organisations and ESFRS employees. 528 questionnaires were completed during this period (519 online responses and 9 paper questionnaires).
- 6.3.3 Most responses to the consultation questionnaire were from residents of East Sussex or the City of Brighton & Hove (338) and employees of East Sussex Fire & Rescue Service (41), but there were also responses from local organisations and businesses. Of the 528 responses received, a total of 29 responses were representing the views of organisations.
- 6.3.4
- The questionnaire included some questions related to the Authority's financial plans and the responses are summarised as follows: the majority (79%) of respondents agreed that their local fire and rescue service offers value for money; only 6% disagreed
  - around four fifths (81%) of respondents said they would be willing to pay more, through council tax, for their local fire and rescue service next year, with just under half (49%) saying that they would be willing to pay a small amount more through their council tax (up to a 2% increase) and around a third (32%) said that they would be willing to accept a larger increase in council tax (more than a 2% increase).
  - Just under a fifth of respondents (19%) said that they don't want an increase in council tax next year (2017/18).
- 6.3.5 Respondents were asked whether they had any suggestions about what ESFRS could do to offer better value for money. One of the suggestions was for ESFRS to merge with West Sussex FRS. Another suggestion was for more collaborative working with other Services (such as the Ambulance Service and Police). Some respondents also suggested that the ESFRS management structure should be reviewed. It is worth noting that some respondents thought that ESFRS already provides value for money and, therefore, felt that cuts should not be made.

## 6.4 Fees and Charges

- 6.4.1 The existing policy is for fees and charges to be reviewed not less than once a year and that increases should take into account the cost of providing the service, including the effects of inflation.
- 6.4.2 Appendix C gives details of increases in fees and charges for Fire & Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect nationally agreed increases in pay and the overall level of provision for inflation generally, it is proposed to increase fees and charges by 1.5% in 2017/18 except in some cases where other factors determine the increase.

- 6.4.3 Officers have investigated the opportunities to make charges and have reviewed potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged for. Of these, animal rescues and lift rescues have been considered but have had the impact of demand management rather than income generation.
- 6.4.4 In the 2017/18 budget the fees and charges listed in Appendix C amount to £135,000, the remainder of the income budget is mainly income from West Sussex County Council for the Sussex Control Centre.
- 6.5 **Main Variations**
- 6.5.1 The MTFP presented to Members in September had a number of adjustments, pressures and growth bids already included. These are shown in Table 4 below:

**Table 4: 2017/18 Budget Commitments**

<b>Previously agreed</b>	<b>£'000</b>
<b>Removal of temporary increases</b>	
Removal of £280,000 2016/17 flex. Over all year's net £107,000 savings (Battle 2015/16)	(280)
IMD Strategy item reduction - SCC desktop provision	(38)
Fleet Strategy adjustments	(9)
Pension advice 3 years from 1-1-15 9 months only	(5)
Hand held radios (possible Capital) one year only	(150)
Legacy mobilising system (extended to fund 2017/18)	0
Procurement Resource (one year only - 2016/17). Remove from base (+ inflation)	(38)
Removal of IRMP (one year only 2016/17) [Post 5 Jan]	(60)
Establishment of a Programme Management Office (PMO) - reducing to £110k in 2017/18 - 3 years [Post 5 Jan]	(70)
HR resource for Enterprise Bill (1.75 years) [Post 5 Jan]	(9)
BR Pool income plans to spend in Business Safety (one year only)	0
<b>Other adjustments</b>	
Capital Expenditure from the Revenue Account	(154)
Adjust Corporate Contingency.	121
Transition Grant transfer to I&E reserve 2016/17 (remove)	(97)
Transition Grant transfer to I&E reserve 2017/18 (new)	122
<b>Service pressures</b>	
Firefighter pension employers contribution adjustment	(54)
Ill Health adjustment	17
Protect FireLink Grant with 1% increase	(2)
Protect New Dimensions Grant with 1% increase	(1)
LGPS 0.5% increase in ERS contribution rate: 20.9% to 21.4%	27
Government Apprenticeship Levy @ 0.5% on pay above £3m (+£15k allowance) - see separate sheet [NEW]	78
<b>Service growth</b>	
Funding of additional staffing costs in SCC 2017/18 only	120
<b>TOTAL PREVIOUSLY AGREED</b>	<b>(482)</b>

- 6.5.2 The Business Planning and Budget Setting process has identified in-service savings opportunities, pressures on service budgets and bids to increase budgets. Corporate Management Team considered these items at their meeting in December 2016 and agreed to their inclusion in the 2107/18 Revenue Budget and MTFP. Table 5 below shows the items and accompanying narrative and value. Where savings have been identified, they are included in the Savings Table (Table 6).

**Table 5: New Budget Commitments**

<b>New other adjustments</b>	<b>£'000</b>
OSR – Engineering: Engineering Strategy 2017/18 only: The existing policy of equipment maintenance and replacement has been rolled forward and a saving has been identified.	(20)
SC – Pensions: Employer’s contributions to the Firefighter pension: The zero base budget exercise on Firefighters has identified an overprovision.	(250)
P & I – Communications: The review of the support staff establishment has revealed an overprovision.	(35)
<b>New Service pressures</b>	
OSR – Operational Planning & Policy: Increase in Wholetime Firefighter establishment: To support the staff consultation regime the FBU representative will be a budgeted post.	38
OSR – Specialist Management & Support: CFOA NOG subscription: The Service has committed to participate however there is not flexibility in the existing budget.	20
OSR – Civil Resilience: NILO placement: Additional costs to comply with Home Office advice.	12
OSR – Engineering: RPE: The new arrangements for RPE, communications and telemetry with increase the cost of maintenance and replacement in the Engineering Strategy.	35
SC – Community Safety: This variation is the result of the finalisation of the wholetime pay review.	14
RT – IMD: As a result in changes to the mobile phone networks the value of mast rental income has fallen, with no alternative customer.	25
Corporate: Pressure on employer’s National Insurance contributions following review of Support Staff establishment.	15
OSR Specialist Training - cost of providing operational cover to release crews for specialist training for which there is no provision within the current OSR budget	29

<b>New Service growth</b>	
SC – Community Safety: Volunteers (as agreed by CMT November 2016 CMT).	70
RT – Estates: Estates Project Support Officer SHQ relocation (2017/18 only for 3 months).	15
RT – Estates: Senior Estates Surveyor (Strategy and development of capital project proposals incl. One Public Estate) (2017/18 only).	40
T & A: Training Income. The Training Centre had a significant agreement with Surrey that has now come to an end. This cannot be accommodated within the existing income budget and alternative opportunities are very limited.	25
P & I – Communications: IRMP Consultation: The IRMP process has taken longer than expected and the 2016/17 budget has underspent. To support this work going forward it is requested that the 2017/18 budget is supported (2017/18 only).	30
RT – Procurement: Procurement Officer post: The temporary resource to support the procurement Improvement Plan ends in 2017/18. To continue to support the programme the funding will be extended by an additional year.	37
<b>TOTAL NEW</b>	<b>100</b>
<b>TOTAL ALL 2017/18 COMMITMENTS</b>	
	<b>(382)</b>



## 6.6 Savings Plan

6.6.1 Since 2010/11 the Authority has made, and has planned to make, savings totalling £8.488m of which £6.708m will have been delivered by the end of 2016/17. The expenditure plans also reflect the delivery of the savings agreed as part of the 2016/17 budget. The estimated savings starting from 2017/18 from the 'Changing the Service, Shaping our Future' programme and other initiatives are set out in Table 6 below and include the savings from the Management Restructure, the Riding at Standard proposals and the SHQ Relocation Project.

6.6.2 New savings identified as part of the Budget Setting Process are included in Table 6.

**Table 6 Savings**

<b>CUMULATIVE CURRENT SAVINGS</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Category</b>	<b>Description</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Facing the Challenge	ICS Review	(73)	(73)	(73)	(73)	(73)
Non operational	Various reductions in Health and Safety budget to reflect changes in working practices	(4)	(8)	(8)	(8)	(8)
Non operational	Development budget increases to reflect the need to develop staff following reduction in previous years	15	15	15	15	15
Non operational	Uniform – based on proposals to reduce operational posts	0	(44)	(44)	(44)	(44)
Non operational	Reduction in the contribution to the Capital Programme Reserve	(250)	(250)	(250)	(250)	(250)
Non operational	Reduce provision for pay increases from 2% to 1.5% from 2017/18 and 2018/19	(123)	(248)	(248)	(248)	(248)
Non operational	Various reductions in corporate budgets to reflect reduced actual spend	(14)	(14)	(14)	(14)	(14)
Phase 2 alternative	Change to appliance ridership	(560)	(840)	(840)	(840)	(840)
Additional	Senior Management Restructure	(254)	(283)	(313)	(318)	(318)
NEW	Health and Safety restructure	(7)	(7)	(7)	(7)	(7)
NEW	HQ relocation	(80)	(150)	(150)	(150)	(150)
<b>Total cumulative current savings</b>		<b>(1,350)</b>	<b>(1,902)</b>	<b>(1,932)</b>	<b>(1,937)</b>	<b>(1,937)</b>

## 7. **CAPITAL PROGRAMME**

- 7.1 The Medium Term Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton and Hove. It is likely that the Strategy will be subject to further review in 2017/18 to ensure it reflects any capital investment decisions resulting from the IRMP review, the development of new IMD and Estates Strategies, the ESCP Integrated Transport Function and the development of collaborative proposals under the aegis of the One Public Estate programme. The main additions are schemes for Preston Circus (£2.550m) and South Eastern Hub workshop (£1m).
- 7.2 With no requirement to borrow over the 5-year term of the Strategy, the only revenue impact is the changes to the assumptions on levels of interest used on balances. At 31 March 2017 the Authority's debt will be £11.0m and will fall to £10.7m by the end of 2021/22. It is likely that a review of our capital funding strategy will be required during 2017/18, once the capital investment impacts of the IRMP and associated IMD and Estates Strategies are known. This will include considering the necessity to take out new borrowing. The value of changes to the Programme and the revenue impact are shown in the following table:

**Table 7: Revenue Impact of Capital Programme 2016/17 to 2020/21**

	<b>Total resource</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fleet	8,870	1,119	2,603	1,816	1,985	1,347
Property	3,966	816	1,427	771	568	384
IMD	395	121	274	0	0	0
<b>Total Gross Cost</b>	<b>13,231</b>	<b>2,056</b>	<b>4,304</b>	<b>2,587</b>	<b>2,553</b>	<b>1,731</b>
Cost of 2015/16 Strategy	<b>13,482</b>	4,566	2,185	2,545	2,559	1,627
<b>Increase (decrease)</b>	<b>(251)</b>	<b>(2,510)</b>	<b>2,119</b>	<b>42</b>	<b>(6)</b>	<b>104</b>
Revenue implication	4,681	948	944	930	930	929
Previously forecast revenue implication	4,669	945	943	927	927	927
<b>Total Revenue Cost (Saving)</b>	<b>12</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>2</b>

## 8. **RESERVES & BALANCES**

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

- 8.2 The Authority's Reserves Policy is set out in Appendix E and states that, in considering the general level of reserves, the Treasurer will have regard to:
- the strategic, legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;
  - the overall effectiveness of governance arrangements and the system of internal control;
  - the robustness of the financial planning and budget-setting process;
  - the effectiveness of the budget monitoring and management process
- 8.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. A summary of the forecast year end reserves and balances position is set out in Table 8 below. A proposal, in principle, to establish an earmarked reserve to fund the one-off costs of a programme to recruit and train wholetime firefighters during 2017/18 and 2018/19 is set out elsewhere in this agenda.

**TABLE 8: Summary of Forecast Reserves and Balances**

	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	5,381	5,881	6,381	5,755	5,304	4,393
Other Earmarked Reserves	3,119	876	249	249	249	249
Total Earmarked Reserves	8,500	6,757	6,630	6,004	5,553	4,642
General Fund	3,142	3,142	3,142	3,142	3,142	3,142
Capital Reserves	4,805	4,940	414	0	0	0
<b>Total Useable Reserves</b>	<b>16,447</b>	<b>14,839</b>	<b>10,186</b>	<b>9,146</b>	<b>8,695</b>	<b>7,784</b>

## 9. **CHIEF FINANCE OFFICER STATEMENT**

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

10. **EQUALITY IMPACT ASSESSMENT**

- 10.1 Following the introduction of the Equality Act 2010 the Authority must, in the exercise of its functions, including the setting of its Revenue Budget and the taking of decisions on savings proposals, have due regard to its duties under the Act and in relation to certain protected characteristics. This means that Members must understand the consequences of the decisions they take for those with the relevant protected characteristics and consider these proportionately alongside other relevant factors. The majority of savings included in the 2017/18 Revenue Budget were approved by the Fire Authority prior to the setting of the 2016/17 budget and Equality Impact Assessments were prepared at the time. All the new savings identified in the 2017/18 budget are non-operational and a high level assessment has been completed and is available from the Clerks should Members wish to review it prior to approving the revenue budget. The Equality Impact Assessment for any new savings proposals will be developed and reported as approval for each proposal is sought.

## Appendix A

### MEDIUM TERM FINANCIAL PLAN 2017/18 - 2021/22

#### INCREASE COUNCIL TAX BY 1.94% EACH YEAR

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
<b>Gross Revenue Service Budget</b>	<b>36,968</b>	<b>36,427</b>	<b>37,260</b>	<b>38,132</b>	<b>38,915</b>
<b>Less</b>					
Specific grants	(188)	(169)	(152)	(137)	(123)
Other income	(1,385)	(1,422)	(1,457)	(1,493)	(1,531)
<b>Total income</b>	<b>(1,573)</b>	<b>(1,591)</b>	<b>(1,609)</b>	<b>(1,630)</b>	<b>(1,654)</b>
<b>Net Service Budget</b>	<b>35,395</b>	<b>34,836</b>	<b>35,651</b>	<b>36,502</b>	<b>37,261</b>
Capital financing costs less interest receivable	868	852	852	852	828
Capital expenditure from the Revenue Account	537	980	582	424	402
Transferred to Balances	622	500	500	500	500
<b>Total Net Expenditure</b>	<b>37,422</b>	<b>37,168</b>	<b>37,585</b>	<b>38,278</b>	<b>38,991</b>

<b>Net Budget brought forward</b>	<b>38,432</b>	<b>37,422</b>	<b>37,168</b>	<b>37,585</b>	<b>38,278</b>
Unavoidable cost pressures					
Pay inflation	497	487	485	491	501
Price inflation	227	214	203	209	217
<b>Total inflation</b>	<b>724</b>	<b>701</b>	<b>688</b>	<b>700</b>	<b>718</b>
Changes in Capital Financing	(2)	(16)	0	0	(24)
Budget commitments	(382)	(386)	(241)	(3)	19
Savings approved	(1,350)	(553)	(30)	(4)	0
<b>Total Net Expenditure</b>	<b>37,422</b>	<b>37,168</b>	<b>37,585</b>	<b>38,278</b>	<b>38,991</b>

## Appendix A continued

Sources of Funding	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,599	2,532	2,608		
Business Rate Top Up	4,821	5,006	5,166		
<b>Business Rates Baseline</b>	<b>7,420</b>	<b>7,538</b>	<b>7,774</b>		
Revenue Support Grant	4,524	3,660	3,157		
<b>Settlement Funding Assessment</b>	<b>11,944</b>	<b>11,198</b>	<b>10,931</b>	<b>10,931</b>	<b>10,931</b>
Section 31 Grant Business Rates adjustment	222	229	236	236	236
Council Tax Collection Fund (Deficit) / Surplus	150	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(100)				
Transition Grant	122				
Council Tax Requirement	25,084	25,741	26,418	27,111	27,824
<b>Total Resources Available</b>	<b>37,422</b>	<b>37,168</b>	<b>37,585</b>	<b>38,278</b>	<b>38,991</b>
<b>Additional Savings Required / (surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Revenue Budget Subjective Summary

## REVENUE BUDGET SUBJECTIVE SUMMARY

	2016/17 Original Estimate £'000	2017/18 Original Estimate £'000
Salaries, Allowances and On-costs	27,560	26,376
Training Expenses	534	582
Other Employees Costs	228	410
<b>Employee Costs</b>	<b>28,322</b>	<b>27,368</b>
Repair, Maintenance and Other Costs	1,057	1,083
Utility Costs	1,177	1,127
<b>Premises Costs</b>	<b>2,234</b>	<b>2,210</b>
Vehicle Repairs and Running costs	936	960
Travel Allowances and Expenses	141	153
<b>Transport Costs</b>	<b>1,077</b>	<b>1,113</b>
Equipment and Supplies	2,165	1,602
Fees and Services	1,708	1,536
Communications and Computing	1,641	2,248
Other Supplies and Services	660	890
<b>Supplies and Services</b>	<b>6,174</b>	<b>6,276</b>
Sums set aside from revenue	934	976
Interest Payments	506	504
<b>Capital Financing</b>	<b>1,440</b>	<b>1,480</b>
Grants and Contributions	(487)	(416)
Interest Received	(75)	(75)
Other Income	(1,100)	(1,156)
<b>Income</b>	<b>(1,662)</b>	<b>(1,647)</b>
Transfers From reserves		
Transfers To reserves	847	622
<b>Total Net Expenditure</b>	<b>38,432</b>	<b>37,422</b>
Financed By:		
Council Tax	(24,280)	(25,084)
Business Rates	(7,273)	(7,420)
Revenue Support Grant	(6,196)	(4,524)
Transition Grant	(97)	(122)
S31 Grants	(217)	(222)
Collection Fund Surplus/Deficit Council Tax	(369)	(50)
<b>Total Funding</b>	<b>(38,432)</b>	<b>(37,422)</b>

## Appendix B continued

### REVENUE BUDGET OBJECTIVE SUMMARY

	<b>2016/17 Original Estimate £'000</b>	<b>2017/18 Original Estimate £'000</b>
Training and Assurance	2,049	2,195
Resources/Treasurer	7,585	7,527
Planning and Improvement	1,157	1,046
<b>Total Deputy Chief Fire Officer</b>	<b>10,791</b>	<b>10,768</b>
HR and OD	868	920
Safer Communities	19,472	18,382
Operational Support	3,583	3,858
<b>Total Assistant Chief Fire Officer</b>	<b>23,923</b>	<b>23,160</b>
CFO Staff	831	675
Treasury Management	1,368	1,408
Non delegated costs	402	474
Corporate Contingency	270	315
Transfers to Reserves	847	622
Transfers from Reserves	0	0
<b>Total Corporate</b>	<b>3,718</b>	<b>3,494</b>
<b>Total Net Expenditure</b>	<b>38,432</b>	<b>37,422</b>



# **FEES AND CHARGES**

WITH EFFECT FROM 1 APRIL 2017

<b>Fee</b>	<b>Existing Fees</b>	<b>New Fees</b>
	<b>2016/17</b>	<b>2017/18</b>
	<b>£</b>	<b>£</b>
The hiring of a major pumping appliance with crew per hour	282	287
The hiring of other pumping vehicles with crew per hour	227	231
The hire of hydraulic platforms or turntable ladders with crew per hour	305	310
Large animal rescue per hour	282	287
Dry Riser (subsequent test at the owner's request):		
First Dry Riser	210	214
Additional Dry Risers	137	140
Interviews: *		
- Insurance Co Etc	137	140
- After two hours	89	91
Copy of Petroleum Licences *	33	34
Copy plans *	38	39
Standby at Venue	282	287
Fire Investigation Report	303	308
Chemical Protection Suit	157	160
Commercial Training One day course (per person)	179	179
Commercial Training Customers Site (per Session)	599	599
Commercial Training Fire Talk (per session)	363	369
Inspection of Plans for Marriage Act 1994 *	116	118
Environmental search fees *	108	110

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

**MEDIUM TERM CAPITAL STRATEGY 2017/18-2021/22****Overview**

The Medium Term Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton & Hove. Where decisions have already been taken to change the service, which have capital investment implications, these are reflected in this strategy. It is likely that further changes to this strategy will be needed as further Service reviews are carried out, particularly as a result of the development of new IMD and Estates Strategies and our IRMP priorities.

The strategy reflects re-profiling of projects planned for delivery in 2016/17 which have been delayed across property, fleet and IMD.

The main areas covered within the strategy are summarised below.

**Property – Major Schemes**

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

- **Preston Circus** – this station is the Authority's main asset in the City and we have determined that redevelopment of a modern, fit-for-purpose facility on the existing site is our preferred option. An initial feasibility study has been carried out and further work will shortly commence under the aegis of the Greater Brighton One Public Estate (OPE) bid for which funding has been provided by central government. This will include further assessment of options which include redevelopment with public / commercial office accommodation or residential. We anticipate being able to take a final decision in 2017/18 with work commencing in 2018/19. Provision is made for £2.5m based on the initial feasibility study.
- **Service HQ Disposal** – the Authority has marketed the site and is currently considering initial bids before moving to best and final offers (BAFO). We anticipate that the sale can be concluded by the end of 2016/17 with the site finally vacated during Q1 2017/18.

- **Service HQ Relocation** – this scheme covers the relocation of staff currently located at Upperton Road in Eastbourne to a new shared HQ with Sussex Police in Lewes, Service Training Centre and Bexhill and Eastbourne Fire Stations. The majority of this scheme is expected to be completed in 2016/17.
- **Integrated Transport Function (ITF) – South Eastern Hub Workshop** – the ITF (part of the wider Emergency Services Collaboration Project (ESCP)) has identified the need for a new workshop site in the Bexhill area. The primary users of the site are expected to be this Authority and Sussex Police. The project is at an early stage with initial feasibility studies expected to be complete in early 2017/18. Should the project progress, some capital funding would be available from the Fire Transformation Grant awarded in 2015/16 to the fire partners in the ESCP. At this stage, an indicative sum of £1m is included in this strategy.

### **Property – General Schemes**

This Strategy seeks to achieve property maintenance and improvements as identified by the most recent property condition survey undertaken in 2013. This informs us of the overall cost prioritisation of work and ensures that the building stock can be sustained in effective working order on a long term basis. It also reflects the capacity of the Estates Team to deliver the required day-to-day services effectively. This Strategy has identified that significant progress has been achieved with the previously identified investment schemes. Consequently, there have been changes to the current Capital Programme and changes to schemes starting in 2017/18 and beyond.

A fundamental review of the Estates Strategy is planned for 2017/18 and will set out a longer term view of the investment required to ensure that our built environment supports the effective delivery of our services.

The fuel tanks and fuel management scheme, which was identified as a strategic requirement within previous strategies, has been placed on hold as a consequence of ITF. This project is expected to commence implementation in 2017/18 and funding has been agreed from the Fire Transformation Grant. At this stage, it is not clear whether partner authorities will be expected to contribute towards the capital costs of this project so the previously agreed funding remains in this strategy.

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

## **Information Management**

The completion of the SCC project is currently the only IT capital scheme within this strategy. It is anticipated to be completed during 2017/18. A new IT Strategy is being developed and will be presented to Members for approval early in 2017/18. Any implications for future capital investment will be identified and approval to amend this Strategy will be sought in due course.

## **Fleet and Equipment**

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

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

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

## **Funding**

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

### **- Capital Grant**

General capital grant allocations from central government for fire authorities ended in 2014/15 and grant funding thereafter is on a wholly bid-for basis. The Authority has not submitted any bids for the duration of this Strategy. As noted above there is the potential for grant funding to be accessed through the ITF project.

- **Partner Contributions**

The Authority is increasingly engaged in collaborative working with other public sector partners, particularly other emergency services. This includes capital projects, and where the Authority is lead body for a scheme this may lead to partners making contributions towards the capital costs.

- **Capital Receipts**

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The Government did offer flexibilities for capital receipts generated between 2016/19, to be used to fund the revenue costs of transformation projects, however, given the Authority's position in terms of both funding of the capital programme (primarily through capital receipts) and the availability of one off revenue finance through its Reserves, the offer was not pursued. The disposal of the former Newhaven Fire Station in Fort Road (estimated at £0.515m in 2017/18) and the existing Service Headquarters (estimated at £2.380m in 2017/18) will be used to fund the Capital Strategy. As at 31 March 2017 it is estimated that there will be unapplied capital receipts of £4.805m (Capital Receipts Reserve). It is the Authority's current policy to use capital receipts to fund the capital programme before using the Capital Programme Reserve (which is a revenue reserve).

- **Revenue Contributions**

The Authority can make revenue contributions to the cost of its capital expenditure either direct from its revenue budget or from reserves earmarked for capital schemes. As at 31 March 2017 it is estimated that there will be a balance of £5.381m in the Capital Programme Reserve (CPR) and £0.996m in the RPE and Communications Reserve of which £0.720m is to fund the capital spend element of the project. As part of the savings proposals agreed in February 2014 the revenue contribution to the CPR has fallen from £1.0m to £0.5m in 2017/18 and beyond. The Authority has also agreed to set aside additional funding from its revenue budget between 2017/18 and 2021/22 to help fund the costs of the Capital Programme in the absence of Government grant.

- **Prudential Borrowing**

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

**MEDIUM TERM CAPITAL STRATEGY 2017/18-2021/22**  
**SCHEME SUMMARY AND FUNDING**

<b>Capital Programme Expenditure</b>									
	<b>Total Budget</b>	<b>Total Previous Year's Spend</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Remaining Spend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Property – Major Schemes</b>									
Newhaven Fire Station	3,560	3,509	49	2					3,560
Service HQ Relocation	650		624	26					650
Preston Circus	2,550			200	2,350				2,550
ITF South East Workshop	1,000				1,000				1,000
<b>Total Property major</b>	<b>7,760</b>	<b>3,509</b>	<b>673</b>	<b>228</b>	<b>3,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,760</b>
<b>Property – General Schemes</b>									
General Schemes	3,432	76	461	937	526	568	384	357	3,309
BA Chambers	300		300						300
Replacement Fuel Tanks	220			190	30				220
Sustainability	420	14	55	200	165	0	0	0	434
Security	150			100	50				150
<b>Total Property General</b>	<b>4,522</b>	<b>89</b>	<b>816</b>	<b>1,427</b>	<b>771</b>	<b>568</b>	<b>384</b>	<b>357</b>	<b>4,413</b>
<b>Information Management</b>									
Sussex Control Centre	1,791	1,396	121	274	0	0	0	0	1,791
<b>Fleet &amp; Equipment</b>									
Aerial Appliances	675					675			675
Fire Appliances	6,470	417	793	970	1,240	800	1,045	1,245	6,510
Ancillary Vehicles	1,397	2		703	300	282	110		1,397
Cars & Vans	1,576	206	296	210	276	228	192	238	1,646
BA & Ancillary Equipment	750		30	720					750
<b>Sub Total</b>	<b>10,868</b>	<b>625</b>	<b>1,119</b>	<b>2,603</b>	<b>1,816</b>	<b>1,985</b>	<b>1,347</b>	<b>1,483</b>	<b>10,978</b>
<b>Total Expenditure</b>	<b>24,941</b>	<b>5,619</b>	<b>2,729</b>	<b>4,533</b>	<b>5,937</b>	<b>2,553</b>	<b>1,731</b>	<b>1,840</b>	<b>24,942</b>

Saxon House memorandum							
	2013/14	2014/15	2015/16	Total previous years	2016/17	2017/18	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Budget</b>							
Spend		1,044	2,467	3,511	49	0	3,560
Income		(277)	(565)	(842)			(842)
<b>Net cost</b>	<b>0</b>	<b>767</b>	<b>1,902</b>	<b>2,669</b>	<b>49</b>	<b>0</b>	<b>2,718</b>
<b>Actual</b>							
Spend	98	946	2,465	3,509	49	2	3,560
Income		(277)	(565)	(842)	0	0	(842)
<b>Net cost</b>	<b>98</b>	<b>669</b>	<b>1,900</b>	<b>2,667</b>	<b>49</b>	<b>2</b>	<b>2,718</b>
<b>Variance</b>							
Spend	98	(98)	(2)	(2)	0	2	0
Income	0	0	0	0	0	0	0
<b>Net cost</b>	<b>98</b>	<b>(98)</b>	<b>(2)</b>	<b>(2)</b>	<b>0</b>	<b>2</b>	<b>0</b>

<b>Funding</b>							
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Funding Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Grants</b>							
Sussex Control Grant	121	274					395
Other grants							
<b>Sub Total</b>	<b>121</b>	<b>274</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>395</b>
<b>Partner Contributions</b>							
Newhaven – Lewes DC	8						8
Newhaven – Sussex Police	3						3
<b>Sub Total</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>
<b>Useable Reserves</b>							
Capital Receipts Reserve	1,633	2,763	4,526	411			9,333
Capital Programme Reserve				1,129	951	1,411	3,490
Breathing Apparatus Reserve	30	720					750
<b>Sub total</b>	<b>1,663</b>	<b>3,483</b>	<b>4,526</b>	<b>1,540</b>	<b>951</b>	<b>1,411</b>	<b>13,573</b>
Revenue Contributions	495	537	980	582	424	402	3,420
Internal Borrowing	439	239	431	431	356	28	1,924
<b>Total funding</b>	<b>2,729</b>	<b>4,533</b>	<b>5,937</b>	<b>2,553</b>	<b>1,731</b>	<b>1,840</b>	<b>19,323</b>

<b>Funding – Use of Reserves</b>						
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Receipts Reserve</b>						
Opening Balance	6,438	4,805	4,937	411	0	0
Transfers In	0	2,895	0	0	0	0
Transfers Out	1,633	2,763	4,526	411	0	0
<b>Closing Balance</b>	<b>4,805</b>	<b>4,937</b>	<b>411</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Programme Reserve</b>						
Opening Balance	4,631	5,381	5,881	6,381	5,752	5,301
Transfers In	750	500	500	500	500	500
Transfers Out	0	0	0	1,129	951	1,411
<b>Closing Balance</b>	<b>5,381</b>	<b>5,881</b>	<b>6,381</b>	<b>5,752</b>	<b>5,301</b>	<b>4,390</b>
<b>Breathing Apparatus Reserve</b>						
Opening Balance	1026	996	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	30	996	0	0	0	0
<b>Closing Balance</b>	<b>996</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Reserves and Balances Policy****Background**

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

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

Sections 31A and 42A of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

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

**Types of reserve**

The Authority will maintain the following reserves:

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

Earmarked reserves will be maintained as follows:

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

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

### **Principles to assess the adequacy of reserves**

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

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

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

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

### **Service reserves**

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

### **Use of reserves**

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

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

### **Risk assessment to determine the adequacy of the General Reserve**

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

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

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

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

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

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

### **Proposal for the level of General Reserves**

The assessment gives a preliminary figure of £5.85m (15.6%) on the net budget requirement of £37.422m in 2017/18. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate and pressure on budgets, it would seem appropriate to continue to maintain the minimum level of general reserves at 8% in line with the Authority's existing policy. This equates to £2.994m. Currently, general balances (reserves) provision is projected to be above this level at £3.142m.

## Review of earmarked reserves

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

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

- **Improvement & Efficiency reserve:** This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver savings and respond to priority areas for service improvement. This includes support for the Authority's Transformation Programme and any costs that may arise from it including redundancy payments. Collaborative projects are also being progressed with a number of potential partners, many of which may require proportionate pump priming funding to realise future financial savings for all partners involved.
- **Insurance Reserve:** ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. Savings made on premiums in previous years due to increases in excesses have been placed in this reserve to help offset years when higher levels of claims may occur which have to be paid for internally.
- **Capital Programme Reserve:** To support the provision of the capital infrastructure required to deliver the Authority's service priorities. Given the reduction in availability of capital grant from Government and the potential investment implications of new IMD and Estates Strategies, it is important that this source of funding is maintained in the short to medium term. As part of the non-operational savings proposals the Authority has agreed to reduce the base budget contribution to this reserve to £500,000 per annum by 2017/18.
- **Budget Carry Forward:** This reserve is to allow the carry forward of underspends into the following financial year where projects have slipped or there are other outstanding financial commitments to be met.
- **Capital Receipts Reserve:** Capital receipts not yet applied to capital expenditure.
- **Capital Grants and Capital Contributions Unapplied:** Capital grants and contributions from partners received but not yet applied to capital expenditure.

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

- Community Fire Safety Database: This provision is for the purchase and implementation of an extension to the Technical Fire Safety Database, currently on hold pending the approval of the new IMD Strategy.
- RPE & Communications (formerly Breathing Apparatus): The renewal of Respiratory Protective Equipment and associated communication equipment is on a life-cycle basis, and significant costs are incurred at life-cycle replacement, due in 2017/18. This reserve now covers both the one off capital and revenue costs of this project.
- Mapping Solution: A reserve to meet specific IT infrastructure for both ESFRS and the Sussex Control Centre which is not funded from the DCLG grant – on hold pending the approval of the new IMD Strategy.
- Sprinklers: As part of the 2014/15 budget the Authority approved £200,000 of funding to match-fund the retrofitting of sprinklers in high risk / high rise residential premises. Delays in identifying and commencing projects and the availability of additional revenue budget funding mean that this reserve may not be fully drawn down until 2018/19.
- Safer Business Training: This reserve holds the balance of income from the East Sussex Business Rate Pool which is to be used to fund Business Safety initiatives, in support of the Pool's aim to promote economic growth.
- IMD Transformation Reserve: The Authority has outsourced its IMD service delivery and will be making significant investment in order to secure the necessary upgrading of its network, applications and devices. Subject to the agreement of the new IMD Strategy it is anticipated that this reserve will hold funds to support the resulting investment requirements.

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

Description	Opening Balance 01/04/17 £'000	2017/18 Planned Transfers In £'000	2017/18 Planned Transfers Out £'000	2017/18 Forecast Transfers In £'000	2017/18 Forecast Transfers Out £'000	Projected Closing Balance 31/03/18 £'000
<b>Earmarked Reserves</b>						
Improvement & Efficiency	1,105	122	(600)	122	(600)	627
Sprinklers	187	0	(187)		(187)	0
Insurance	249	0	0			249
Community Fire Safety Database	0	0	0			0
Breathing Apparatus	996	0	(996)		(996)	0
Mapping Solution	69	0	(69)		(69)	0
ESN Health Check	0	0	0			0
Safer Business Training	63	0	(63)		(63)	0
IMD Transformation	450	0	(450)		(450)	0
Capital Programme Reserve	5,381	500	0	500		5,881
<b>Total Earmarked Reserves</b>	<b>8,500</b>	<b>622</b>	<b>(2,365)</b>	<b>622</b>	<b>(2,365)</b>	<b>6,757</b>
<b>General Fund</b>	3,142					3,142
<b>Total Revenue Reserves</b>	<b>11,642</b>	<b>622</b>	<b>(2,365)</b>	<b>622</b>	<b>(2,365)</b>	<b>9,899</b>
Capital Receipts Reserve	4,805	515	(2,564)	2,895	(2,763)	4,937
<b>Total Capital Reserves</b>	<b>4,805</b>	<b>515</b>	<b>(2,564)</b>	<b>2,895</b>	<b>(2,763)</b>	<b>4,937</b>
<b>Total Usable Reserves</b>	<b>16,447</b>	<b>1,137</b>	<b>(4,929)</b>	<b>3,517</b>	<b>(5,128)</b>	<b>14,836</b>

**EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2017/18**  
**REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992**

	£	£
<b>NET BUDGET REQUIREMENT</b>		<b>37,422,000.00</b>
Forecast Business Rates retained	2,599,000.00	
Top Up grant	4,821,000.00	
Total Base Line funding	7,420,000.00	
Add Revenue Support Grant	4,524,000.00	
Total Grant funding (excluding transitional/freeze grant)	11,944,000.00	
Transition Grant	122,000.00	
Section 31 Grant Business Rates adjustment	222,000.00	
Previous Year's Surpluses/(Deficits)	50,000.00	
<b>Total Council Tax required</b>		<b>25,084,000.00</b>
<b>Tax base</b>	<b>283,752.70</b>	
<b>Basic Council Tax (Band D equivalent)</b>		<b>88.40</b>
<b>Basic Council Tax from above calculation</b>		<b><u>Council Tax</u></b>
<b>Band A</b>	<b>6/9</b>	<b>58.93</b>
<b>Band B</b>	<b>7/9</b>	<b>68.76</b>
<b>Band C</b>	<b>8/9</b>	<b>78.58</b>
<b>Band D</b>	<b>9/9</b>	<b>88.40</b>
<b>Band E</b>	<b>11/9</b>	<b>108.04</b>
<b>Band F</b>	<b>13/9</b>	<b>127.69</b>
<b>Band G</b>	<b>15/9</b>	<b>147.33</b>
<b>Band H</b>	<b>18/9</b>	<b>176.80</b>
	<b><u>Tax Base</u></b>	<b><u>Precept</u></b>
<b>Brighton and Hove</b>	<b>87,035.00</b>	<b>7,693,894</b>
<b>Eastbourne</b>	<b>34,110.19</b>	<b>3,015,341</b>
<b>Hastings</b>	<b>25,048.17</b>	<b>2,214,258</b>
<b>Lewes</b>	<b>36,334.06</b>	<b>3,211,931</b>
<b>Rother</b>	<b>37,360.97</b>	<b>3,302,710</b>
<b>Wealden</b>	<b>63,864.31</b>	<b>5,645,605</b>
	<b>283,752.70</b>	<b>25,083,739</b>



## Establishment and payroll budget

	<b>FTE @ 1/4/17</b>	<b>FTE @ 1/4/18</b>
Principal Officers	3	3
Wholetime Firefighter	347	333
RDS firefighter Units	219	219
Control Room Staff	38	38
Support staff	153.7	151.7
	<b>760.7</b>	<b>744.7</b>



**EAST SUSSEX FIRE AUTHORITY**

<b>Meeting</b>	Policy & Resources
<b>Date</b>	19 January 2017
<b>Title of Report</b>	Revenue Budget and Capital Programme Monitoring 2016/17
<b>By</b>	Chief Fire Officer and Assistant Director Resources / Treasurer
<b>Lead Officer</b>	Warren Tricker – Finance Manager

<b>Background Papers</b>	Revenue Budget and Capital Programme Monitoring 2016/17; Policy & Resources Panel meeting 3 November 2016
--------------------------	--

<b>Appendices</b>	<p>Appendix 1: 2016/17 Revenue Budget – Objective Analysis</p> <p>Appendix 2: 2016/17 Revenue Budget – Safer Communities Analysis including overtime</p> <p>Appendix 3: 2016/17 Capital Budget Monitoring</p> <p>Appendix 4: 2016/17-2020/21 Capital Budget Monitoring</p> <p>Appendix 5: 2016/17 Reserves Projections</p> <p>Appendix 6: Monitoring of Savings 2016/17 - 2018/19</p> <p>Appendix 7: Investment as at 30 November 2016</p>
-------------------	--

**Implications**

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>		<b>POLITICAL</b>	
<b>FINANCIAL</b>	✓	<b>OTHER (please specify)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

<b>PURPOSE OF REPORT</b>	To report on issues arising from the monitoring of the 2016/17 Revenue Budget and Capital Programme as at 25 November 2016.
--------------------------	---

## EXECUTIVE SUMMARY

The Revenue Budget is forecast to be underspent by £528,000 (previously £262,000 underspent). This is less than 1.4% of the total revenue budget and reflects a combination of successful achievement of key savings, identification of further savings in-year and some delays in sourcing additional capacity that have now been addressed.

The main variations are:

- Safer Communities (£370,000 underspend) – this is due to a review of the staffing establishment and successful achievement of the Riding at Standard post reductions for 2016/17 without the need to fully utilise the flexibility built into the budget, alongside a review of pensions funding which has identified an underlying saving of £250,000;
- OSR (£143,000 overspend) – a number of budget pressures have been identified relating to staffing and services, and where these are ongoing have been built into the 2017/18 budget setting process;
- Planning & Improvement (£183,000 underspend) – delays in appointment to the Programme Management Office and re-phasing of consultation plans underpin this underspend.

This projected underspend provides the Authority with the opportunity to establish an earmarked reserve to fund the one off costs of Wholetime Firefighter recruitment during 2017/18 and 2018/19. This includes the costs of recruitment, training and supernumerary salaries and the amount will be confirmed in a future report to Members.

The overall Capital Programme is projected to be £1,000 overspent (previously reported as £13,000 underspent). The current year's Capital Programme is projected to be underspent by £2,029,000 (previously £27,000 underspent), Flagged as a risk to the Panel's meeting on 3 November 2016, the large variance is the result of the General Property, Fleet and Equipment schemes slipping into 2017/18 (Appendices 3 and 4). None of this slippage is assessed to have any immediate impact on operational service delivery.

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, updated for the current draft Capital Asset Strategy, can be found at Appendix 5. Overall, the year-end balance is forecast to be £16.444m which is £0.548m higher than planned, primarily due to slippage in the capital programme.

A summary of the savings – £1,864,000 – already taken from the 2016/17 budget, is set out in Appendix 6. All of these savings are forecast to be achieved.

---

**RECOMMENDATION: Members are asked to:**

- (i) approve the use of the uncommitted element of the Corporate Contingency to support the IMD Transformation Programme, reducing the need to drawdown from the IMD Transformation reserve;
- (ii) approve in principle the use of the projected revenue underspend to establish an earmarked reserve to fund the one-off costs of Wholetime Firefighter Recruitment;

and to note the:

- (iii) projected Revenue Budget underspend;
  - (iv) projected underspend in the Capital Programme;
  - (v) variation to the Capital Programme;
  - (vi) planned use of reserves;
  - (vii) monitoring of savings taken in 2016/17; and
  - (viii) current year investments.
-

## 1. **INTRODUCTION**

- 1.1 This report is based upon enquiries as at 25 November 2016 with updates in key areas. The report discloses the main risks, issues and material variances.

	Last Policy & Resources report	This Policy & Resources report	Movement
	£'000	£'000	£'000
Revenue (see paragraph 2)	(262)	(528)	(266)
Capital in year (see paragraph 5)	(27)	(2,029)	(2,002)

- 1.2 This is the third monitoring report for 2016/17, the second to Policy & Resources (P & R) following the initial report to Fire Authority. The review of the Wholetime pay and employers' firefighter pension contribution budgets is now complete and with more data available projections are made with increased confidence.
- 1.3 This report highlights risks to the 2016/17 Revenue Budget that may result in significant change to the projections. While no risks are currently identified the situation is kept under review. There may be elements both internal and external that will influence the final position.

## 2. **REVENUE BUDGET COMMENTARY**

- 2.1 **Safer Communities:** This directorate is forecast to underspend by £370,000 (previously an underspend of £203,000) (Appendix 2).
- 2.1.1 **AD Safer Communities:** This budget is projected to overspend by £2,000 (previously on target).
- 2.1.2 **Borough Commanders:** There is a projected underspend of £359,000 (previously £108,000 underspend) which comprises an overspend on Overtime of £90,000 (previously £56,000 overspend, see appendix 2), an underspend on Wholetime pay of £132,000 (as previously reported), an underspend of £30,000 on RDS pay (previously £46,000 underspend), an underspend on Support Staff of £10,000 (previously on target) and a projected underspend on Firefighters' pension employers' contributions of £277,000 (previously £250,000 underspend). This forecast takes into account the one-off flexibility of £280,000 built into the AD Safer Communities (SC) budget, for 2016/17 only, to support the safe management of the reduction in posts under the Riding at Standard proposals.
- 2.1.3 The change in the Wholetime pay forecast is the result of the acceleration in the rate at which firefighters have been leaving over the past 2 months, combined with the completion of the zero base wholetime budget exercise. The AD SC is satisfied that the required post reductions in 2016/17 will be delivered.

- 2.1.4 The above forecast for RDS pay is an underspend of £30,000 (previously £46,000). The projection is based on seven months of activity and takes into account the previously reported budget transfers for the RDS Support Officer and vehicle and now allows for the settlement of Prevention of Less Favourable Treatment Regulations 2000 for RDS public holiday pay, (£72,000). It has to be noted that this budget is demand-led and has the potential to be volatile.
- 2.1.5 **Community Safety:** This budget is forecast to be overspent by £12,000 (previously £73,000 underspend). This variation is the result of the finalisation of the wholetime pay review. It has resulted in a pressure of £12,000 in this budget which is on-going and will be corrected through the 2017/18 budget setting process. Monitoring of the Business Rate Pool at the end of Quarter 2 indicates that the Authority's share of the Pool income may be closer to £200,000 than the £100,000 included in the current budget. However, there is a degree of volatility around Business Rate income as a whole so we have not revised our budget forecast at this stage. If actual income is higher than planned, any surplus will be transferred into the existing Safer Business Training earmarked reserve.
- 2.1.6 **Business Safety:** This budget is forecast to be underspent by £25,000 (previously £22,000 underspend) and is the result of vacant Wholetime and Support posts. This forecast takes account of any spend relating to fire investigation work.
- 2.2 **Operational Support and Resilience:** This Directorate is forecast to be £143,000 overspent (previously £153,000 overspent). This comprises projected overspend on SCC of £89,000 (East Sussex share), overspend on the staffing budget of £64,000 (both as previously reported), with additional pressures on operational expenditure of £30,000 and a projected shortfall in Dry Riser Test income of £10,000. This projected overspend is partially offset by a newly projected £50,000 underspend on the Emergency Services Mobile Communication Project budget for local Service project management which will not be spent in this financial year. The underlying pressures identified in this budget are addressed through the budget setting process for 2017/18.
- 2.3 **Training and Assurance:** This budget is projected to be £9,000 underspent (as previously reported).
- 2.4 **Resources/Treasurer:** This budget is projected to be £3,000 underspent (previously £5,000 overspent). The change is the result of the allocation of the previously reported DCLG Transparency grant of £8,000. The review of the IMD budget is still on-going and is expected to be completed next month. The revenue budget and the transformation programme will be managed using the corporate contingency (paragraph 2.7.2, subject to Member approval) and with funding drawn down from the IMD Transformation Reserve, as previously agreed.
- 2.5 **Planning and Improvement:** The budget manager has reported an underspend of £218,000 (previously £183,000 underspend). The only change is a forecast underspend of £35,000 as a result of vacant posts. The funding of future years' IRMP work is the subject of a Service Change proposal as part of the 2017/18 Revenue Budget setting process.

- 2.6 **Chief Fire Officer:** The CFO staff budget is projected to be underspent by £46,000 (previously on target) as a result of the vacant CFO Support Officer post.
- 2.7 **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.
- 2.7.1 With £106,300 already transferred out £186,000 pending and £328,900 added, as a result of the in-year savings from Senior Management Restructure and overprovision for pay awards, the uncommitted budget currently stands at £306,800.
- 2.7.2 Given the forecast underspend it is suggested that Members agree to transfer any uncommitted funds to the IMD budget. This will reduce the level of drawdown from the IMD Transformation reserve in 2016/17 and maximise funding available to support investment in the IMD Strategy in future years.

### 3. **REVENUE BUDGET RISKS**

- 3.1 At this point in the financial year there are no risks identified for 2016/17 that have not been mitigated. There are a number of service pressures that are being resolved through the 2017/18 budget setting process. Officers expect that the Authority will need to commence a wholtime firefighter recruitment process in 2017/18 and work is in progress to scope how this will be achieved, including opportunities for collaboration with other services. There is expected to be a material cost to this exercise covering recruitment and HR, salaries, training and equipment. This report proposes that Members agree in principle to utilise the projected revenue underspend in 2016/17 to establish an earmarked reserve to fund the one off costs of wholtime recruitment, subject to a more detailed proposal being made in the near future.

### 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 Wholtime 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 346 by the end. The table below shows the number of Wholtime Firefighters **paid** from April to date, allowing for the four seconded officers where costs are fully recovered:

Month	Number paid
April	388
May	373
June	374
July	369
August	369
September	364
October	360
November	355



- 4.3 Following further work with the AD Safer Communities it is anticipated that the reduction of 14 posts for the Riding at Standard savings can be achieved by the year end.

5. **CAPITAL PROGRAMME COMMENTARY**

- 5.1 **Property Schemes:** The Estates Manager has carried out a detailed review of scheme progress with Finance and has forecast a £642,000 underspend in 2016/17 (previously on target) as a result of the scheme slipping into 2017/18, where the resources of the team have been deployed on higher priority schemes e.g. BA Chambers, SHQ relocation and Integrated Transport Function – Fuel Project. Overall, the General schemes are still expected to underspend by £123,000, however, a forecast overspend of £14,000 on sustainability is newly identified.
- 5.2 **Information Management:** £236,000 of the grant money, originally planned to be spent by ESFRS has been incurred by West Sussex County Council. The value of the ESFRS Scheme has been reduced to reflect this. Properly incurred in accordance with the agreed governance arrangements, the variation reflects the division of the shared grant between the two authorities. Funded in full by grant, and with no additional unfunded commitments for future years incurred, this Scheme is varied by the Treasurer in accordance with Financial Regulation 7.2.4.
- 5.3 **Fire Appliances:** The Scheme is forecast to be underspent in 2016/17 by £202,000 (previously £97,000 underspent). The final instalments for all three pumping appliances (£105,000) will now be made in 2017/18. The overall cost of all three appliances is forecast to be £40,000 overspent (as previously reported). The vehicle builds are on time – the delay is due to changes in operational requirements, therefore late orders being placed.
- 5.4 **Ancillary Vehicles:** The whole of this £513,000 Scheme will slip into 2017/18 (previously on target) and remains to be spent in full overall (as previously reported). Orders have not been placed in time for 2016/17 delivery as a result of changes to operational requirements and vehicle specifications; existing vehicles will be maintained and kept in service until the new vehicles are delivered and operational.
- 5.6 **BA & Ancillary Equipment:** This Scheme is forecast to underspend in 2016/17 by £720,000 (previously on target). An initial order has been placed for £30,000, the remaining £720,000 will be placed in 2017/18 with a resulting forecast, overall, of on target (as previously reported). A rigorous review of operational requirements and specifications of equipment new to this Service has taken longer than expected.

6. **RESERVES**

- 6.1 The table in Appendix 4 shows the planned use of reserves for 2016/17. The planned transfer into the Improvement & Efficiency (I&E) earmarked reserve is the 2016/17 Transition Grant.

- 6.2 The amounts of £33,600 and £30,000 will be drawn down from the RPE and communications earmarked reserve to fund project resource, and the forecast spend on the Capital Programme respectively in 2016/17.
- 6.3 The table has been updated for the reduced receipts in-year with the delay in the disposal of Fort Road, Newhaven and lower use of receipts reflecting the forecast in-year underspend on the Capital Programme. Overall, the forecast year-end balance will be £0.550m higher than planned.
- 6.4 If the Panel approves the funding of the IMD budget from Corporate Contingency (see paragraph 2.7.2) the forecast transfer out from the IMD Transformation reserve will decrease by c. £300,000.

## 7. **BORROWING AND INVESTMENT**

- 7.1 As at 30 November 2016, the Authority held cash balances of £23.200m 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 and, at this stage, we expect a surplus over budget of £25,000 (as previously reported).

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

**Appendix 1**

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last P&R report £'000
Training and Assurance	2,049	2,126	2,117	(9)	(0.4)	(9)
Resources/Treasurer	7,585	7,482	7,479	(3)		5
Planning and Improvement	1,157	1,132	914	(218)	(18.8)	(183)
<b>Total Deputy Chief Fire Officer</b>	<b>10,791</b>	<b>10,740</b>	<b>10,505</b>	<b>(235)</b>	<b>(2.1)</b>	<b>(187)</b>
Human Resources and O D	868	907	907	0		
Safer Communities	19,472	19,394	19,024	(370)	(1.9)	(203)
Operational Support	3,583	3,654	3,797	143	3.9	153
<b>Total Assistant Chief Fire Officer</b>	<b>23,923</b>	<b>23,955</b>	<b>23,728</b>	<b>(227)</b>	<b>(0.9)</b>	<b>(50)</b>
CFO Staff	831	734	688	(46)	(6.7)	
Treasury Management	1,368	1,368	1,343	(25)	(1.9)	(25)
Non Delegated costs	402	377	377	0		
Corporate Contingency	270	498	498	0		
Transfer to Reserves	847	997	997	0		
Transfer From Reserves	-	(237)	(237)	0		
<b>Total Corporate</b>	<b>3,718</b>	<b>3,737</b>	<b>3,666</b>	<b>(71)</b>	<b>(1.9)</b>	<b>(25)</b>
<b>Total Net Expenditure</b>	<b>38,432</b>	<b>38,432</b>	<b>37,904</b>	<b>(528)</b>	<b>(1.4)</b>	<b>(262)</b>
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	(369)	(369)	(369)	0		
Surplus/Deficit Council Tax						
<b>Total Financing</b>	<b>(38,432)</b>	<b>(38,432)</b>	<b>(38,432)</b>	<b>0</b>	<b>0.0</b>	<b>0</b>
<b>Total Over / (Under) Spend</b>	<b>0</b>	<b>0</b>	<b>(528)</b>	<b>(528)</b>	<b>(1.4)</b>	<b>(262)</b>

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

**Appendix 2**

	<b>Original Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>	<b>Variance %</b>	<b>Variance last P&amp;R report £'000</b>
AD Safer Communities	109	119	114	2	1.7	7
Hastings and Rother	4,738	4,659	4,563	(96)	(2.1)	(44)
Eastbourne and Wealden	5,110	4,919	4,814	(105)	(2.1)	(57)
The City	5,324	5,374	5,245	(129)	(2.4)	1
Lewes	1,953	1,967	1,944	(29)	(1.5)	(15)
Business Safety	1,365	1,426	1,401	(25)	(1.8)	(22)
Community Safety	873	930	942	12	1.3	(73)
<b>Total Safer Communities</b>	<b>19,472</b>	<b>19,394</b>	<b>19,024</b>	<b>(370)</b>	<b>(1.9)</b>	<b>(203)</b>

**Borough Commanders Overtime analysis**

	<b>Original Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>	<b>Variance %</b>	<b>Variance last P&amp;R report £'000</b>
Hastings and Rother	51	56	73	17	30.4	
Eastbourne and Wealden	11	42	65	23	54.8	
The City	56	44	90	46	104.5	
Lewes	8	12	16	4	33.3	
<b>Total Borough Commanders</b>	<b>126</b>	<b>154</b>	<b>244</b>	<b>90</b>	<b>58.4</b>	<b>0</b>

- **Note:** The projected overtime variance is based on 7 months activity

Capital Scheme	Original Budget as agreed CFA Feb 2016	Revised Budget	Projected Outturn	Variance	Variance	Variance Last P&R Report
	£'000	£'000	£'000	£'000	%	£'000
<b>Property Major Schemes</b>						
Newhaven Fire Station	49	49	49	0		
Service HQ Relocation	624	624	624	0		
<b>Subtotal</b>	<b>673</b>	<b>673</b>	<b>673</b>	<b>0</b>	<b>0.0</b>	<b>0</b>
<b>Property General Schemes</b>						
General Schemes	705	733	461	(272)	(37.1)	
Breathing Apparatus Chambers	0	300	300	0		
Sustainability	155	197	55	(142)	72.1	
<b>Subtotal</b>	<b>860</b>	<b>1,230</b>	<b>816</b>	<b>(414)</b>	<b>(33.7)</b>	<b>0</b>
<b>Information Management</b>						
IMD Strategy SCC	607	371	121	(250)	(67.4)	0
<b>Fleet &amp; Equipment</b>						
Fire Appliances	935	995	793	(202)	(20.3)	(97)
Ancillary Vehicles	556	513	0	(513)	(100)	
Cars & Vans	185	226	296	70	31.0	70
BA & Ancillary Equipment	750	750	30	(720)	(96.0)	
<b>Subtotal</b>	<b>2,426</b>	<b>2,484</b>	<b>1,119</b>	<b>(1,365)</b>	<b>(56.7)</b>	<b>(27)</b>
<b>Total</b>	<b>4,566</b>	<b>4,758</b>	<b>2,729</b>	<b>(2,029)</b>	<b>(42.6)</b>	<b>(27)</b>

Capital Scheme	Original Budget as agreed by CFA Feb 2016 £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last Report £'000
<b>Property Major Schemes</b>						
Newhaven Fire Station	3,560	3,560	3,560	0		
Service HQ Relocation	650	650	650	0		
<b>Subtotal</b>	<b>4,210</b>	<b>4,210</b>	<b>4,210</b>	<b>0</b>	<b>0.0</b>	<b>0</b>
<b>Property General Schemes</b>						
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	434	14	3.3	
<b>Subtotal</b>	<b>3,616</b>	<b>3,916</b>	<b>3,807</b>	<b>(109)</b>	<b>(3.1)</b>	<b>(123)</b>
<b>Information Management</b>						
IMD Strategy SCC	2,027	1,791	1,791	0	0.0	
<b>Fleet &amp; Equipment</b>						
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 & Vans	1,321	1,338	1,408	70	5.2	70
BA & Ancillary Equipment	750	750	750	0		
<b>Subtotal</b>	<b>9,373</b>	<b>9,390</b>	<b>9,500</b>	<b>110</b>	<b>1.2</b>	<b>110</b>
<b>Total</b>	<b>19,226</b>	<b>19,307</b>	<b>19,308</b>	<b>1</b>	<b>(0.0)</b>	<b>(13)</b>

**East Sussex Fire Authority  
2016/17 Reserves Projections**

**Appendix 5**

<b>Description</b>	<b>Opening Balance 01/04/16 £'000</b>	<b>2016/17 Planned Transfers In £'000</b>	<b>2016/17 Planned Transfers Out £'000</b>	<b>2016/17 Forecast Transfers In £'000</b>	<b>2016/17 Forecast Transfers Out £'000</b>	<b>Projected Closing Balance 31/03/2017 £'000</b>
<b>Earmarked Reserves</b>						
Improvement and Efficiency	1,804	97	(797)	97	(797)	1,104
Sprinklers	187		(113)			187
Insurance	249					249
Community Fire Safety *	145		(145)		(145)	0
RPE and communications (Breathing Apparatus)	750		(750)	310	(64)	996
Mapping Solution	69					69
ESN Health Check *	15		(15)		(15)	0
Safer Business Training	140		(52)		(77)	63
IMD Transformation	2,000		(600)		(1,550)	450
Capital Programme Reserve	4,631	750		750		5,381
<b>Total Earmarked Reserves</b>	<b>9,990</b>	<b>847</b>	<b>(2,472)</b>	<b>1,157</b>	<b>(2,648)</b>	<b>8,499</b>
<b>General Fund</b>	<b>3,142</b>					<b>3,142</b>
<b>Total Revenue Reserves</b>	<b>13,132</b>	<b>847</b>	<b>(2,472)</b>	<b>1,157</b>	<b>(2,648)</b>	<b>11,641</b>
Capital Receipts Reserve	6,438	515	(2,564)		(1,633)	4,805
<b>Total Capital Reserves</b>	<b>6,438</b>	<b>515</b>	<b>(2,564)</b>	<b>0</b>	<b>(1,635)</b>	<b>4,803</b>
<b>Total Usable Reserves</b>	<b>19,570</b>	<b>1,362</b>	<b>(5,036)</b>	<b>1,157</b>	<b>(4,281)</b>	<b>16,446</b>

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
<b>Phase 2 Savings</b>										
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
<b>Total Phase 2 Savings</b>	<b>(1,212)</b>	<b>(560)</b>	<b>(280)</b>		<b>(1,212)</b>	<b>(560)</b>	<b>(280)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Facing the Challenge</b>	<b>(75)</b>	<b>(73)</b>	<b>0</b>		<b>(75)</b>	<b>(73)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total non-operational savings</b>	<b>(439)</b>	<b>(376)</b>	<b>(173)</b>		<b>(439)</b>	<b>(376)</b>	<b>(173)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total additional savings</b>	<b>(138)</b>	<b>0</b>	<b>0</b>		<b>(138)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total all other savings</b>	<b>(652)</b>	<b>(449)</b>	<b>(173)</b>		<b>(652)</b>	<b>(449)</b>	<b>(173)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Savings</b>	<b>(1,864)</b>	<b>(1,009)</b>	<b>(453)</b>		<b>(1,864)</b>	<b>(1,009)</b>	<b>(453)</b>	<b>0</b>	<b>0</b>	<b>0</b>

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



**East Sussex Fire Authority  
Investment as at 30 November 2016**

**Appendix 7**

Counterparty	Type	Amount	Term	Rate
		£'000		%
Lloyds/HBOS	Fixed	2,000	Fixed term to 18/4/17	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	0.32
Insight	MMF	4,000	Instant access	0.3
Deutsche Bank	MMF	3,200	Instant access	0.33
<b>Total Current Investments</b>		<b>23,200</b>		