EAST SUSSEX FIRE AUTHORITY

POLICY & RESOURCES PANEL

THURSDAY 2 NOVEMBER 2017 at 11:30

MEMBERS

East Sussex County Council

Councillors Barnes, Dowling, Elford, Scott, Tutt

Brighton and Hove City Council

Councillors O'Quinn, Theobald

You are requested to attend this meeting to be held at County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE at 11:30 hours.

AGENDA

Item No.	Page No.	
68.	1	In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members
69.	1	Apologies for Absence.
70.	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)
71.	3	Non-confidential Minutes of the last Policy & Resources Panel meeting held on 6 July 2017 (*copy attached*)

Item No.	Page No	
72.	2	Callover.
		The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be reserved for debate. The Chairman will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.
73.	7	Treasury Management – Half Year Review 2017/18 - Report of the Assistant Director Resources/Treasurer (*copy attached*)
74.	21	Revenue Budget and Capital Programme Monitoring 2017/18 - Report of the Assistant Director Resources/Treasurer (*copy attached*)
75.	37	Provision of Monitoring Officer, Deputy Monitoring Officer and Legal Services – Report of the Assistant Director Resources/Treasurer (*copy attached*)
77.	2	Exclusion of the Press and Public
		To consider whether, in view of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the remainder of the meeting on the grounds that, if the public and press were present, there would be disclosure to them of exempt information.
		NOTE: Any item appearing in the confidential part of the Agenda states in its heading the category under which the information disclosed in the report is confidential and, therefore, not available to the public.
78.	41	Confidential Minutes of the last Policy & Resources Panel meeting held on 6 July 2017 (*copy attached*)

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

Agenda Item No. 71

EAST SUSSEX FIRE AUTHORITY

Minutes of the meeting of the POLICY & RESOURCES PANEL held at County Hall, St Anne's Crescent, Lewes at 10:00 hours on Thursday 6 July 2017.

Members Present: Councillors Barnes, O'Quinn and Sheppard.

In attendance:
Mr M O'Brien (Interim Assistant Chief Fire Officer), Miss L. Woodley (Deputy Monitoring Officer), Mrs V Chart (Assistant Director – Human Resources and Organisational Development), Mr. D. Savage (Assistant Director Resources/Treasurer), Mr D Drummond (ITG Manager) and Mrs. K. Ward (Clerk).

056. **DECARATIONS OF INTEREST**

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

057. **ELECTION OF CHAIRMAN**

057.1 That Councillor Barnes be appointed Chairman of the Panel for the ensuing year.

058. **APOLOGIES FOR ABSENCE**

058.1 Apologies for absence were received from Councillors Dowling, Elford, Scott, Theobald and Tutt.

059. **NOTIFICATION OF ITEMS WHICH THE CHAIRMAN CONSIDERS URGENT AND PROPOSES TO TAKE AT THE END OF THE AGENDA/CHAIRMAN'S BUSINESS**

059.1 There were no urgent items for consideration.

060. **NON-CONFIDENTIAL MINUTES OF THE POLICY & RESOURCES PANEL MEETING HELD ON 27 APRIL 2017**

060.1 **RESOLVED** – That the non-confidential minutes of the meeting of the Policy and Resources Panel held on 27 April 2017 be approved as a correct record and signed by the Chairman. (Copy in Minute Book)

061 **CALLOVER**

061.1 Members reserved the following item for debate:
062. Provisional Revenue Budget & Capital Programme Outturn 2016/17.

RESOLVED - That all other reports be resolved in accordance with the recommendations as detailed below

062. **PROVISIONAL REVENUE BUDGET & CAPITAL PROGRAMME OUTTURN 2016/17**

062.1 The Panel considered a report of the Assistant Director Resources / Treasurer that reported on the provisional outturn position for 2016/17. (Copy in minute book).

062.2 This report contained the provisional revenue budget and capital programme outturn for 2016/17 along with an updated analysis of reserves and balances. The draft accounts had been prepared, signed and published and had been passed to the external auditor. The audited accounts must be approved by the Fire Authority and published by 30 September 2017.

062.3 The Revenue Budget outturn was underspent by £464,000 (previously forecast £558,000 underspent) which was 1.2% of the total revenue budget. It reflected a combination of successful achievement of key savings, identification of further savings in-year and some delays in sourcing additional capacity that had been addressed.

062.4 The Authority had previously agreed in principle that any underspend should be transferred into earmarked reserves to fund the costs of planned Wholetime Firefighter Recruitment. The report recommended that the £464,000 underspend be transferred into this reserve. The costs of the recruitment exercise were still to be finalised but it was expected that this would cover the one off costs of recruitment and selection, training and supernumerary salaries for four cohorts of 8 recruits (32 in total).

062.5 The overall Capital Programme was projected to be underspent by £31,000. The current year's Capital Programme was projected to be underspent by £694,000. Officers reported that there continued to be slippage in the Property General Schemes into 2017/18 although none of the slippage was assessed to have any immediate impact on operational service delivery.

062.6 The Authority had maintained Earmarked and General Reserves to assist in managing its spending plans across financial year and making provisions for the financial risks it faced. The provisional year end position was expected to be £21.076m which was £5.180m higher than planned. Officers advised this was due to slippage in the capital programme, delayed contractual milestone payments relating to the IMD Transformation project slipping from 2016/17 into 2017/18 and additional specific grants received from central government which will be spent in 2017/18.

062.7 Members expressed concern at slippage in the Capital Programme. The Assistant Director Resources / Treasurer explained that this had been the result of a number of factors: that the Estates team's capacity to deliver day to day capital projects had been heavily impacted by the HQ move from Eastbourne to Lewes; additional issues identified in the design stage of the BA Chambers project had delayed its delivery; there had been delays in the delivery of the SCC Project which had been reported to Members; and further consideration was being given the specification of ancillary vehicles to ensure that they still met the service's needs.

062.3 **RESOLVED** – That the following be noted:-

i) the provisional 2016/17 revenue budget outturn;
ii) the provisional 2016.17 capital programme outturn;
iii) the use of reserves; and
iv) the capital programme slippages.

That the following be approved:

i) the transfer of the revenue underspend into an earmarked reserve to fund the additional cost of Wholetime Firefighter Recruitment; and
ii) the transfer of the Mapping Solution and the Community Fire Safety earmarked reserved to the IMD Transformation Reserve.

063. **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2017/18**

063.1 The Panel considered a report of the Assistant Director – Resources/Treasurer that reported on issues arising from the monitoring of the 2017/18 Revenue Budget and Capital Programme as at 31 May 2017. (Copy in minute book).

063.2 Members were advised that due to the very early stage in the financial year, the report was on an exception basis and addresses areas where there were clear issues or risks. Initial monitoring forecast an overspend of £137,000 and the report highlighted other risks and issues which were yet to crystallise or areas where the financial impact was not yet known.

The overall Capital Programme was projected to be £214,000 underspent and the current year's Capital Programme was currently £131,000 underspent. There were a number of 2016/17 schemes that had slipped into 2017/18 and these were reflected in the monitoring.

A summary of the savings, £1.864m, already taken from the 2017/18 budget, was set out within the report.

RESOLVED - That the following be noted:-

i) the risks to and the projected Revenue Budget overspend;
ii) the risks to and the projected overspend in the Capital Programme;
iii) the use of reserves;
iv) the monitoring of savings taken in 2017/18, and
v) the current year investments.

064. **EXCLUSION OF PRESS AND PUBLIC**

064.1 That items numbers 065, 066 and 067 be exempt under paragraphs 1 and 3 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 and accordingly are not open for public inspection on the grounds that they include information relating to an individual and information relating to the business affairs of the Fire Authority.

The meeting concluded at 11:00 hours.

Signed
Chairman

Dated this day of 2017

Agenda Item No. 73

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	**Policy & Resources Panel**
Date	**2 November 2017**
Title of Report	**Treasury Management - Half Year Review 2017/18**
By	**Assistant Director Resources/Treasurer**

Background Papers

Fire Authority:

15 June 2017 – Agenda Item 988 Treasury Management – Stewardship report for 2016/17
14 February 2017 – Agenda Item 971: Treasury Management Strategy for 2017/18

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

Local Government Act 2003

CIPFA Prudential Code

Appendices None

Implications

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

PURPOSE OF REPORT

The treasury management half yearly report is a requirement of the Fire Authority's reporting procedures and covers the treasury activity for the first six months of 2017/18. The report includes an update on the first half year of Prudential Indicators which relate to treasury activity.

EXECUTIVE SUMMARY

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

In challenging economic conditions the average rate of interest received through Treasury Management activity was 0.46%. This reflected the Fire Authority’s continuing prioritisation of security and liquidity over yield. The Bank of England (BOE) base interest rate during the period was 0.25%. At this point in time markets are pricing a modest rate rise of 0.25% in the next quarter, the BOE giving its clearest signal yet that a increase is imminent.

No new borrowing has been undertaken in 2017/18 to date. On the 30 September 2017 total Public Works Loan Board (PWLB) loan debt outstanding was £10.973m at an average interest rate of 4.61%. The next loan repayment is due on the 31 December 2017 (£200k) with the PWLB. There have been no beneficial opportunities to reschedule debt so far during the year. The projected outturn of the Fire Authority’s Capital Financing Requirement (CFR), a measure of the underlying need to borrow is £10.773m.

RECOMMENDATION The Panel is recommended to:

i) note the treasury management performance for the first half year of 2017/18.

ii) identify any further reassurance the Panel requires in relation to the delivery of the Treasury Management Strategy.

1. INTRODUCTION

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

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

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

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

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

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

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

1.4 This report sets out information on:

a) A summary of the strategy agreed for 2017/18 and the economic factors affecting the strategy in the first six months of this year;
b) The Fire Authority's treasury activity during the first six months on borrowing and short term investments.

2. <u>2017/18</u>

2.1 Original Strategy for 2017/18

2.1.1 At its meeting on 14 February 2017, the Fire Authority agreed its treasury management strategy for 2017/18, taking into account the economic scene including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2017/18 as set out below.

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

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

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

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

Borrowing

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

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

Investment

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

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

(b) Investment returns are likely to remain relatively low during 2017/18 and beyond;

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

Investment and Borrowing Strategy agreed for 2017/18

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

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

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

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

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

Y	*P*	*B*	*O*	*R*	*G*	*N/C*
Up to 2yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 mths*	*Up to 100days*	*No Colour*

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

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

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

Counterparty	Country/ Domicile	Instrument	Max. investment	Max. maturity period
Counterparties in UK				
Debt Management and Depost Facilities (DMADF)	UK	Term Deposits	unlimited	1 yr
Government Treasury bills	UK	Term Deposits	unlimited	1 yr
Local Authorities	UK	Term Deposits	unlimited	1 yr
RBS/NatWest Group • Royal Bank of Scotland • NatWest	UK	Term Deposits (including callable deposits), Certificate of Deposits	£4m	1 yr
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK		£4m	1 yr
Barclays	UK		£4m	1 yr
Santander UK	UK		£4m	1 yr
HSBC	UK		£4m	1 yr
Goldman Sachs IB	UK	Term Deposits	£4m	1 yr
Standard Chartered Bank	UK	Term Deposits	£4m	1 yr
Individual Money Market Funds	UK / Ireland Domiciled	AAA rated Money Market Funds	£4m	Liquidity/instant access
Enhanced Money Market / Cash Funds (EMMFs)	UK/Ireland/EU Domiciled	AAA Bond Fund Rating	£4m	Liquidity

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

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

2.1.13 Treasury staff will regularly review opportunity for debt rescheduling, but there has been a considerable widening of the difference between new borrowing and repayment rates, which has made Public Works Loan Board (PWLB) debt restructuring now much less attractive. Consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through market loans where a facility is available to agree terms but the borrower does not draw down the loan until a forward date when the funds are required.

2.1.14 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

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

2.2 **Economic performance to date and outlook (commentary supplied by our advisors Capita Asset Services).**

2.2.1 The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC.

2.2.2 This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action.

2.2.3 In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

2.2.4 It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at 19 September, short sterling rates are indicating that financial markets do not expect a second increase until November 2018 with a third increase in February 2020. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

2.2.5 The Authority's treasury advisor, Capita Asset Services, has provided the following forecast with an update due on 6 November:

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

2.2.7 Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. As mentioned above, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". The forecast above is to be revised following the release of the next quarterly Bank of England Infaltion Report.

2.3 Interest on short term balances

2.3.1 Base interest rates during the six months was 0.25% their lowest ever rate.

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

2.3.3 The strategy for 2017/18, agreed in February 2017, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year.

2.3.4 The total amount received in short term interest for the six months to 30 September 2017 was £56k at an average rate of 0.47%. This was above the average of base rates in the same period (0.25%) and succeeded in the aim to secure investment income of at least base rate on the Fire Authority's general cash balances.

2.3.5 In April the authority placed a £4m 6 month fixed term deposit with Goldman Sachs at 0.75%. In August a 1 year deposit was placed with NatWest at 0.40%. Funds are invested across notice accounts with Lloyds/HBOS, Barclays and Santander, their margins are priced over base rate between 0.15%-0.40% depending on duration of notice, 95 to 175 days. The investments held comply with our Treasury Management Strategy and the Fire Authority has continued to follow an extremely prudent approach with security and liquidity as the main criteria before yield.

2.4 Long term borrowing

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

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

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

3 Prudential Indicators and limits relating to Treasury Management activities

3.1 The limits set for 2017/18

The Strategy Report for 2017/18 set self-imposed prudential indicators and limits. There are on an annual basis and monitored. They comprise:

None of the limits has been exceeded in 2017/18 to date.

Prudential Indicator	**Compliant**
Capital Expenditure	Yes
Ratio of Financing Costs to Net Revenue Stream	Yes
Capital Financing Requirement (CFR)	Yes
Net external Borrowing compared to the medium term CFR	Yes
Upper limits for fixed interest rate exposure and variable interest rate exposure	Yes
Upper limit for total principal sums invested over 365 days	Yes
Actual External Debt	Yes
Authorised Limit for External Debt	Yes

Operational Boundary for External Debt (see 3.2)	Yes
Maturity Structure of Fixed Rate Borrowing (see 3.4)	Yes
Maturity Structure of Investments (see 3.6)	Yes
Incremental Impact of Capital Investment Decisions	Yes
Adoption of the CIPFA Treasury Management Code (see 3.5)	Yes
Interest rate exposures (see 3.3)	Yes
Interest rate on long term borrowing	Yes
Interest on investments	Yes
Minimum Revenue Provision (see 3.7)	Yes

3.2 Authorised limit for borrowing

3.2.1 The table below sets out the actual 2016/17, original estimate and projected outturn in 2017/18 for borrowing.

	2016/17 Actual £000	2017/18 Original Estimate £000	2017/18 Projected Outturn £000
Opening CFR	**10,973**	**10,973**	**10,973**
Capital Investment	1,950	4,676	3,216
Sources of Finance	(1,511)	(4,437)	(2,977)
MRP	(439)	(439)	(439)
Movement in year	**-**	**(200)**	**(200)**
Closing CFR	**10,973**	**10,773**	**10,773**
less Finance Lease Liability	-	-	-
Underlying Borrowing Requirement	**10,973**	**10,773**	**10,773**
Actual Long Term Borrowing	**10,973**	**10,773**	**10,773**
Over / (Under) Borrowing	-	-	-
Operational Boundary	**11,441**	**11,441**	**11,441**
Authorised Limit	**13,831**	**13,831**	**13,831**

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

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

3.2.4 The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The estimated long term borrowing at 31 March 2018 of £10,773,000 is under the Authorised limit set for 2017/18 of £13,831,000.

3.3 Interest rate exposure

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

Interest Rate Exposure	2017/18 Upper	2018/19 Upper	2019/20 Upper
Limits on fixed interest rates based on net debt*	100%	100%	100%
Limits on variable interest rates based on net debt*	0%	0%	0%

*Net debt is borrowings less investments

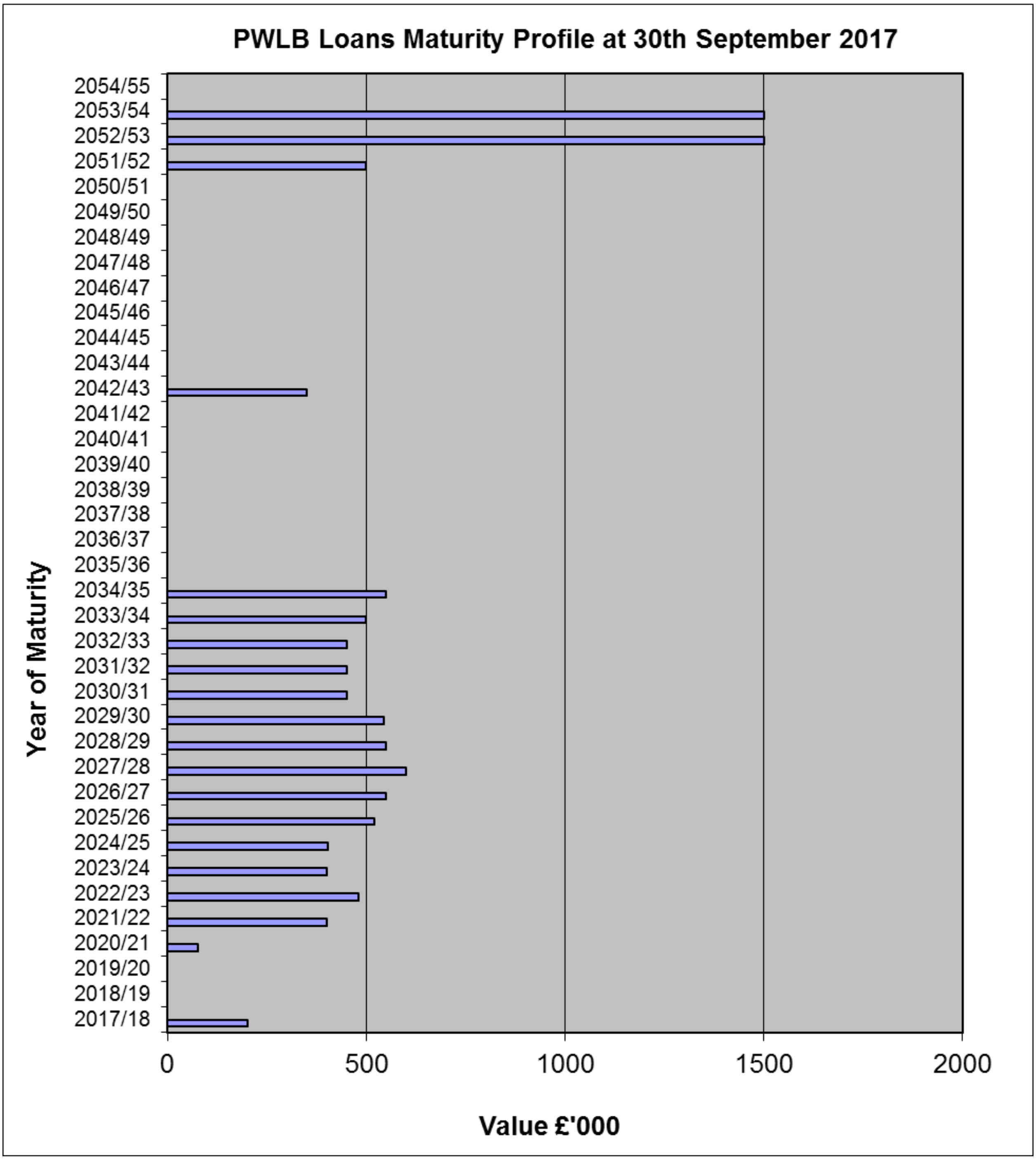
No new borrowing undertaken and all lending at fixed rates

3.4 Maturity structure of debt

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

	Estimated Lower Limit	Estimated Upper Limit	Current
Under 12 months	0%	25%	2%
12 months and within 24 months	0%	40%	0%
24 months and within 5 years	0%	60%	4%
5 years and within 10 years	0%	80%	21%
10 years and within 20 years	0%	80%	38%
20 years and within 30 years	0%	80%	3%
30 years and within 40 years	0%	80%	32%
Over 40 years	0%	80%	0%

Any new borrowing undertaken would give due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any future years when interest rates may be unfavourable. No new borrowing has been undertaken in 2017/18 to date. The following graph shows when the debt will mature.



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

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

3.6 **Maturity structure of investments**

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

3.7 **Minimum Revenue Provision Statement**

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

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

3.7.2 The Fire Authority approved the Capital Finance Requirement projections for 2017/18 in its Strategy approved in February. These are in the original estimate below:

	2016/17 Actual £000	**2017/18 Original Estimate £000**	**2017/18 Projected Outturn £000**
Opening CFR	10,973	10,973	10,973
Closing CFR	10,973	10,773	10,733
Movement in CFR	**-**	**(200)**	**(200)**
Movement in CFR represented by:			
Net financing	439	239	239
MRP	(439)	(439)	(439)
Movement in year	**-**	**(200)**	**(200)**

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

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

4 **Treasury Management Advisors**

4.1 The Strategy for 2017/18 explained that the Fire Authority uses Capita Asset Services as its treasury management consultant through the contract that exists with East Sussex County Council. The company has provided a range of services which have included:

a) Technical support on treasury matters, capital finance issues and advice on reporting;
b) Economic and interest rate analysis;
c) Debt services which includes advice on the timing of borrowing;
d) Debt rescheduling advice surrounding the existing portfolio;
e) Generic investment advice on interest rates, timing and investment instruments;

f) Credit ratings from the three main credit rating agencies and other market information;
g) Assistance with training on treasury matters.

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

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

5 Conclusion

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

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

Agenda Item No. 74

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	**Policy & Resources**
Date	**2 November 2017**
Title of Report	**Revenue Budget and Capital Programme Monitoring 2017/18**
By	**Duncan Savage, Assistant Director Resources/ Treasurer**
Lead Officer	Warren Tricker, Finance Manager
Background Papers	None
Appendices	Appendix 1: 2017/18 Revenue Budget – Functional Analysis Appendix 2: 2017/18 Revenue Budget – Safer Communities Analysis Appendix 3: 2017/18 Capital Budget Monitoring Appendix 4: All Years Capital Budget Monitoring (to 2021/22) Appendix 5: 2017/18 Reserves Projections Appendix 6: Monitoring of Savings 2016/17 - 2018/19 Appendix 7: Investment as at 30 September 2017

Implications

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

PURPOSE OF REPORT	To report on issues arising from the monitoring of the 2017/18 Revenue Budget and Capital Programme as at 30 September 2017.
EXECUTIVE SUMMARY	This is the third financial monitoring report to Panel, The report remains on an exception basis and addresses those areas where there are clear issues or risks.

The revenue budget is currently forecast to underspend by £131,000 (previously reported a £6,000 overspend). There are a number of risks but certainty will increase with time as data available increases particularly in the key area of Safer Communities which makes up over 48% of the revenue budget. There are also a number of service areas where there are currently vacant posts being held while restructuring takes place.

The overall Capital Programme is projected to be £164,000 underspent (previously reported as £214,000). The current year's Capital Programme is, at this stage, forecast to be £2,144,000 underspent (£1,546,000 previously reported) (Appendices 3 and 4). This is primarily due to forecast slippage on appliances ancillary vehicles and the property schemes, Preston Circus, Replacement Fuel tanks, Sustainability and Security.

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 with the latest operational position including Capital Programme in year underspend, can be found at Appendix 5. The forecast outturn is expected to be £20.143m, 17% higher than planned as a result of capital programme slippage and higher than expected capital receipts.

A summary of the savings, £1.009m, already taken from the 2017/18 budget, is set out in Appendix 6.

RECOMMENDATION

Panel is asked to:

Note:

(i) the risks to the Revenue Budget and the projected underspend,

(ii) the funding of additional SCC Project costs of £153,000 from the corporate contingency

(iii) the risks to and the projected slippage and underspend in the Capital Programme,

(iv) the use of reserves,

(v) the monitoring of savings taken in 2017/18, and

(vi) the current year investments.

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1. Introduction

1.1 This report is based upon enquiries as at 30 September 2017 with updates for key areas. The Report discloses the main risks, issues and material variances.

	This P & R Report	Last CFA Report	Movement
	£'000	£'000	£'000
Revenue (See paragraph 2)	(131)	6	(137)
Capital in year (See paragraph 5)	(2,144)	(1,546)	(598)

1.2 This is the third report to third report to Panel for this financial year, it is half way through the year but there continue to be risks both internal and external that may influence the final position.

1.3 This Report highlights risks to the 2017/18 Revenue Budget that may result in significant change to the projections. While certainty increases as the year progresses circumstances change and new risks arise and this Report considers the risks currently known.

2. Revenue Budget Commentary

2.1 **Safer Communities:** The budget is forecast to underspend by £121,000 (previously reported as on line). The Borough Commander budgets are both large and complex, with many impacting issues that are resulting in underspends and overspends that counteract each other to some extent. Following an overall review this month the focus has been in Hastings and Rother and in Eastbourne and Wealden.

2.1.1 **Safer Communities, Borough Commanders Hastings and Rother:** The Borough Commanders budget in Hastings and Rother is forecast to £71,000 underspent (previously reported as on target). The underspend relates to a vacant Borough Commander post of £90,000, a forecast underspend on RDS of £34,000 and a projected overspend on overtime of £53,000.

2.1.2 **Safer Communities, Borough Commanders Eastbourne and Wealden:** The Borough Commanders budget in Eastbourne and Wealden is forecast to be £20,000 underspent (previously reported as on target). The underspend relates to a forecast underspend on RDS of £48,000 and a projected overspend on overtime of £28,000.

2.1.3 **Safer Communities, Business Safety:** The budget manager is forecasting an underspend of £30,000 (as previously reported).

2.2 **Resources/Treasurer:** The budget is forecast to overspend by £121,000 (previously reported as £132,000). The change in forecast £11,000 relates to a projected underspend on the ORBIS contract for financial services £30,000 and an increase on the projected overspend on Rates of £19,000 due to delays in moving out of the old Service HQ.

2.3 **Human Resources and OD**: The budget is forecast to underspend by £27,000 (previously reported as £47,000). The reduction in the projected underspend follows the CMT decision to resource work on workforce reform and Thomas Review from the vacant OD Manager post (work expected start in November).

2.4 **Planning and Improvement:** The PMO budget is forecast to underspend by £25,000 (previously reported on target) the underspend relates to staff vacancies. (previously reported as on line).

2.5 **Operational Support, Sussex Control Room:** The SCC employee budget remains under pressure, however as part of the budget setting process for 2017/18 additional funding of £120,000 was added for 2017/18 only which is expected to be sufficient to contain the pressure.

2.6 **Non Delegated Costs:** The budget is projected to underspend by £29,000 (as previously reported).

2.7 **SCC Project:** a review of the project and the resources required to achieve go live by the revised target date of 29 November 2018 has been completed and the resulting cost has been agreed with WSFRS. The Authority's share of £153,000 has been funded from the corporate contingency.

2.8 **Corporate Contingency:** This budget is intended to provide some flexibility for CMT to manage in year budget pressures and was set at £390,000. For the purposes of this report the budget is assumed to be spent in full. To date a net £358,000 has been transferred out to support various initiatives.

2.9 **Business Rates:** Following a change in the treatment of the Newhaven Enterprise Zone by the Department of Communities and Local Government there is an extra £20,000 due in Retained Business Rates (as previously reported).

3. Revenue Budget and Capital Programme Risks

3.1 **Capital Programme – in year:** The level of actual spend to date is indicating that the 2017/18 Capital Programme, at £5.5m or almost 3 times larger than the amount spent in 2016/17 is at risk of slipping. Panel will note that there is already significant slippage within the Fleet and Equipment and Building capital schemes.

3.2 **Pay related issues:** The Authority is currently facing a number of potential pay related risks:

- The Authority has made provision in its 2017/18 budget for a pay award of up to 1.5% for Grey Book staff. Representative bodies have submitted a claim in excess of this amount and the Government's public sector pay cap of 1%. Every additional 0.5% above the budget provision equates to approximately £125,000. The Employer's side has made an offer of 2% from 1 July 2017 with a further 3% from 1 April 2018 subject to the agreement of a wider pay deal to cover 2018, 2019 and 2020. The second stage of the deal is also conditional on the Government providing the necessary additional funding. The FBU has consulted its members and rejected the offer and negotiations are on-going.
- The FBU has registered a local dispute claiming that an Additional Responsibility Allowance (ARA) should be paid in relation to Swift Water Rescue. This could have potentially significant financial impacts both one off (for back pay) and ongoing. The dispute is currently with ACAS for arbitration.

- The Authority is currently consulting Green Book staff on the implementation of a pay and grading review. Once the review is finalised the financial impact can be confirmed but an initial estimate was an additional pressure of approximately £60,000 reducing after three years when pay protection ceases but it is likely that figure has increased as a result of grading appeals.

3.3 **Planning and Improvement:** The Communications and Marketing and Performance Management structures are being reorganised and any variation will be reported once the reorganisation has taken place.

3.4 **Resources/Treasurer, Estates:** The Estates Manager has reported that there is additional spend on HQ decommissioning and the relocation. This is likely to be in excess of the amount remaining to be drawn down from the Improvement & Efficiency Earmarked Reserve if so then every effort will be made to contain the pressure within the Estates budget.

3.5 **Redundancies:** To date there have been two redundancy payment made, they amount to £19,000, they have not been included within the figures above as it is assumed they will either be covered by Improvement & Efficiency earmarked reserve or absorbed within any general underspend.

3.6 These risks will continue to be monitored and should they materialise the Authority will need to determine how the financial impact is to be managed. The Authority has a number of options open to it to manage in year budget pressures: identification of additional in year savings or managed underspends; use of the Corporate Contingency, and; use of General Balances. Ongoing pressures would need to be identified and dealt with through the budget setting process for 2018/19 and the updating of the Medium Term Financial Plan (MTFP).

4. Monitoring of Savings

4.1 Appendix 6 shows the savings made in 2016/17 and those required to be made in 2017/18 and 2018/19. 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 It has been confirmed that the reduction of 14 posts for the Change to Ridership saving was achieved in 2016/17 and that the remaining 14 posts will be achieved in 2017/18.

5. Capital Programme Commentary

5.1 The 2017/18 Capital Programme is projected to underspend by £2,144,000 (previously reported as a £1,546,000 underspend). The overall Capital Programme is projected to be £164,000 underspent (previously reported as £214,000) with HQ relocation costs being reclassified as revenue and underspending on general property schemes.

5.2 **Property Major Scheme, Preston Circus:** Work on this project has been paused to allow both the development of the new Estates Strategy, including design guidelines which will influence this project, and further feasibility work under the One Public Estate (OPE) initiative to assess the potential to work with other public sector partners on the project.

5.3 **Property General Schemes:** The underspend is a combination of capacity to deliver the number of schemes in the current year, as well as some schemes needing to be re-profiled for later completion in the programme. Some slippage is also as a result of the introduction of the Breathing Apparatus Chamber project, a higher priority scheme which has meant focusing resources to this project in place of lower priority schemes.

5.4 **Property General Schemes, Replacement Fuel Tanks:** The Authority has agreed the business case for the Joint Fuel Project (part of the wider Emergency Services Collaboration Project Integrated Transport Function work stream). This will involve the replacement of a substantial number of our existing fuel tanks and the installation of digital fuel dispensing equipment. This work should be funded from the Fire Transformation Grant held by the ESCP. It is likely therefore that the scheme funding within our Capital Programme will no longer be required, but we are retaining it as a contingency until project costs are fully confirmed.

5.5 **Property General Schemes, Sustainability and Security:** Work on this scheme has been paused pending the development of the new Estates Strategy which will reassess our approach to sustainability within our buildings.

5.6 **Fleet and Equipment, Cars and Vans:** The Capital Programme includes provision for the replacement of its response vehicles based on a seven year lifecycle. CMT has recently approved a business case to change the type of vehicle purchased to a model that better meets operational requirements and offers an improved whole life cost. The purchase price is however higher by c£6,000 per vehicle. CMT has also approved a proposal to bring forward the purchase of five replacement vehicles to ensure the seven year lifing is maintained. This will increase the spend on cars and vans by £140,000 in 2017/18. Due to other slippage in 2017/18 schemes and underspends elsewhere, the changes can be accommodated within the existing capital programme funding. The longer term impacts of the higher initial cost of response vehicles will be shown in the Capital Asset Strategy for 2018/19.

6. <u>Reserves</u>

6.1 The table in Appendix 5 shows the planned use of reserves for 2017/18. The planned transfer into the Improvement & Efficiency (I&E) earmarked reserve is the 2017/18 Transition Grant.

6.2 The planned transfers are as recorded in the Fire Authority meeting in February 2017, the forecast transfers reflect the current forecast taking account changes in operational arrangements and the outturn position.

6.3 The grant received from Home Office for the ESMCP has been split into two reserves. The element of the grant relating to regional work of £100,000 has been separated from the control room readiness element of £1,060,000. In addition the balance of £15,000 unspent from the £70,000 received in 2016/17 for regional work has been added to the regional earmarked reserve using the ESMCP budget.

6.4 The increase in the Capital Receipts reserve is the result of the sale of the former HQ, now complete, yielding £4.410m which is £2.030m more than originally expected. Subject to consideration of the Estates Strategy expected in summer 2018, the additional resource is anticipated to be re-invested in the existing estate. The capital programme is funded in the first instance from capital receipts so the forecast in year capital programme underspend reduces the anticipated use of reserves in 2017/18.

7. **Borrowing and Investment**

7.1 As at the 30 September 2017, the Authority held cash balances of £26.9m which were invested as set out in Appendix 7 in accordance with the Treasury Management Strategy. The interest received is projected to be £30,000 more than originally budgeted (as previously reported).

East Sussex Fire Authority **Appendix 1**

2017/18 Revenue Budget – Objective Analysis

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last report £'000
Training and Assurance	2,211	2,160	2,160			
Resources/Treasurer	7,537	7,546	7,667	121	1.6	132
Planning and Improvement	1,049	1,037	1,012	(25)	(2.4)	
Total Deputy Chief Fire Officer	**10,797**	**10,743**	**10,839**	**96**	**0.9**	**132**
Human Resources and OD	922	921	894	(27)	(2.9)	(47)
Safer Communities	18,273	18,458	18,337	(121)	(0.7)	
Operational Support	3,842	3,823	3,823			
Total Assistant Chief Fire Officer	**23,037**	**23,202**	**23,054**	**(148)**	**(0.6)**	**(47)**
CFO Staff	675	703	703			
Treasury Management	1,408	1,408	1,378	(30)	(2.1)	(30)
Non Delegated costs	474	577	548	(29)	(5.0)	(29)
Corporate Contingency	390	220	220			
Transfer to Reserves	622	622	622			
Transfer from Reserves		(72)	(72)			
Total Corporate	**3,569**	**3,458**	**3,399**	**(59)**	**(1.7)**	**(59)**
Total Net Expenditure	**37,403**	**37,403**	**37,292**	**(111)**	**(0.3)**	**26**
Financed By:						
Council Tax	(25,036)	(25,036)	(25,036)			
Business Rates	(7,213)	(7,213)	(7,233)	(20)	(0.3)	(20)
Revenue Support Grant	(4,524)	(4,524)	(4,524)			
Transition Grant	(122)	(122)	(122)			
S31 Grants	(258)	(258)	(258)			
Collection Fund Surplus/Deficit	(250)	(250)	(250)			
Total Financing	**(37,403)**	**(37,403)**	**(37,423)**	**(20)**	**(0.1)**	**(20)**
Total Over / (Under) Spend			**(131)**	**(131)**	**(0.4)**	**6**

East Sussex Fire Authority **Appendix 2**
2017/18 Revenue Budget – Safer Communities Analysis

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %
AD Safer Communities	107	113	113		
Bariatric Equipment	0	28	28		
Hastings and Rother	4,404	4,701	4,630	(71)	(1.5)
Eastbourne and Wealden	4,638	4,611	4,591	(20)	(0.4)
The City	5,048	4,859	4,859		
Lewes	1,813	1,935	1,935		
Business Safety	1,455	1,412	1,383	(30)	(2.1)
Community Safety	808	800	800		
Total Safer Communities	**18,273**	**18,458**	**18,337**	**(121)**	**(0.7)**

2017/18 Revenue Budget - Safer communities Overtime analysis

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %
AD Safer Communities	0	0	0	0	
Hastings and Rother	55	44	97	52	118.2
Eastbourne and Wealden	46	36	64	28	77.5
The City	36	56	36	0	
Lewes	12	13	12	0	
Business Safety	2	2	2	0	
Community Safety	4	4	4	0	
Total Safer Communities	**155**	**155**	**215**	**80**	

*** Projection based on 5 months of activity**

East Sussex Fire Authority **Appendix 3**

2017/18 Capital Budget Monitoring

Capital Scheme	Original Budget as agreed CFA Feb 2017 £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last report £'000
Property Major Schemes						
Newhaven Fire Station	2	2	2	0		
Service HQ Relocation	26	165	157	(8)	(4.8)	(8)
Preston Circus	200	200	0	(200)	(100)	
Subtotal	**228**	**367**	**159**	**(208)**	**(56.7)**	**(8)**
Property General Schemes						
General Schemes	937	1,134	1,011	(123)	(10.8)	(123)
Breathing Apparatus Chambers	144	347	347	0		
Replacement Fuel Tanks	190	190		(190)	(100)	
Sustainability	200	248		(248)	(100)	
Security	100	100		(100)	(100)	
Subtotal	**1,571**	**2,019**	**1,358**	**(661)**	**(32.7)**	**(123)**
Information Management						
IMD Strategy SCC	**274**	**292**	**292**	**0**	**0.0**	**0**
Fleet & Equipment						
Fire Appliances	970	970	0	(970)	(100)	(970)
Ancillary Vehicles	703	703	228	(445)	(63.3)	(445)
Cars & Vans	210	399	539	140	35.1	0
BA & Ancillary Equipment	720	750	750	0		
Subtotal	**2,603**	**2,822**	**1,547**	**(1,275)**	**(45.2)**	**(1,415)**
Total	**4,676**	**5,500**	**3,356**	**(2,144)**	**(39.0)**	**(1,546)**

East Sussex Fire Authority **Appendix 4**
2017/18 - 2021/22 Capital Budget Monitoring

Capital Scheme	Original Budget as agreed by CFA Feb 2017 £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %	Variance last report £'000
Property Major Schemes						
Newhaven Fire Station	3,560	3,560	3,560	0		
Service HQ Relocation	650	650	545	(105)	(16.2)	(105)
Preston Circus	2,550	2,550	2,550	0		
ITF Southeast Workshop	1,000	1,000	1,000	0		
Subtotal	**7,760**	**7,760**	**7,655**	**(105)**	**(1.4)**	**(105)**
Property General Schemes						
General Schemes	3,432	3,432	3,309	(123)	(3.6)	(123)
Breathing Apparatus Chambers	360	360	360	0		
Replacement Fuel Tanks	220	220	220	0		
Sustainability	420	420	434	14	3.3	14
Security	150	150	150	0		
Subtotal	**4,582**	**4,582**	**4,473**	**(109)**	**(2.4)**	**(109)**
Information Management						
IMD Strategy SCC	**1,791**	**1,688**	**1,688**	**0**	**0.0**	**0**
Fleet & Equipment						
Aerial Appliances	675	675	675	0		
Fire Appliances	6,470	6,470	6,470	0		
Ancillary Vehicles	1,397	1,397	1,397	0		
Cars & Vans	1,576	1,576	1,626	50		
BA & Ancillary Equipment	750	750	750	0		
Subtotal	**10,868**	**10,868**	**10,918**	**50**	**(0.5)**	**0**
Total	**25,001**	**24,898**	**24,734**	**(164)**	**(0.7)**	**(214)**

East Sussex Fire Authority **Appendix 5**

2017/18 Reserves Projections

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 31/03/2018 £'000
Earmarked Reserves						
Improvement and Efficiency	1,485	122	(600)	122	(604)	1,003
Sprinklers	187		(187)			187
Insurance	249					249
Community Fire Safety	145				(145)	0
RPE and communications	1,014		(996)		(1,014)	0
Mapping Solution	69		(69)		(69)	0
ESN Health Check	15				(15)	0
ESMCP ESFRS readiness	1,160				(1,160)	0
ESMCP Regional Programme reserve	0			115	(115)	0
Responding to new risks Revenue	19				(19)	0
Safer Business Training	213		(63)		(48)	165
IMD Transformation	2,000		(450)	214	(1,230)	984
Wholetime Firefighter recruitment	464				(232)	232
Capital Programme Reserve	5,381	500		500		5,881
Total Earmarked Reserves	**12,401**	**622**	**(2,365)**	**951**	**(4,651)**	**8,701**
General Fund	3,142					3,142
Total Revenue Reserves	**15,543**	**622**	**(2,365)**	**951**	**(4,651)**	**11,843**
Capital Receipts Reserve	5,512	515	(2,564)	4,925	(2,137)	8,300
Responding to new risks Capital	21				(21)	0
Total Capital Reserves	**5,533**	**515**	**(2,564)**	**4,925**	**(2,158)**	**8,300**
Total Usable Reserves	**21,076**	**1,137**	**(4,929)**	**5,876**	**(6,809)**	**20,143**

Monitoring of Savings 2016/17 - 2018/19

Summary showing Changing the Service Phases One and Two and other operational savings

	Budget			Current Forecast			Variance		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Phase Two Savings									
Removal of a pump from Hove	(932)	0	0	(932)	0	0	0	0	0
Change to Ridership	(280)	(560)	(280)	(280)	(560)	(280)	0	0	0
Total Phase Two Savings	**(1,212)**	**(560)**	**(280)**	**(1,212)**	**(560)**	**(280)**	**0**	**0**	**0**
Total Facing the Challenge	**(75)**	**(73)**	**0**	**(75)**	**(73)**	**0**	**0**	**0**	**0**
Total non-operational savings	**(439)**	**(376)**	**(173)**	**(439)**	**(376)**	**(173)**	**0**	**0**	**0**
Total additional savings	**(138)**	**0**	**0**	**(138)**	**0**	**0**	**0**	**0**	**0**
Total all other savings	**(652)**	**(449)**	**(173)**	**(652)**	**(449)**	**(173)**	**0**	**0**	**0**
Total Savings	**(1,864)**	**(1,009)**	**(453)**	**(1,864)**	**(1,009)**	**(453)**	**0**	**0**	**0**

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

East Sussex Fire Authority **Appendix 7**
Investment as at 30 September 2017

Counterparty	**Type**	**Amount**	**Rate**
		£'000	**%**
Lloyds/HBOS	175 Day notice	4,000	0.65
Santander	95 Day notice	4,000	0.40
Barclays	95 Day Notice	4,000	0.44
Goldman Sachs IB	Fixed term	4,000	0.75
NatWest	Fixed term	4,000	0.40
Standard Life	MMF	4,000	variable
Deutsche Bank	MMF	2,900	variable
Total Current Investments		**26.900**	

Agenda Item No. 75

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	**Policy and Resources Panel**
Date	**2 November 2017**
Title of Report	**Provision of Monitoring Officer, Deputy Monitoring Officer and Legal Services**
By	**Assistant Director Resources/Treasurer**
Lead Officer	Duncan Savage, AD Resources/Treasurer

Background Papers	Fire Authority 10 December 2015 – Item 894 - Provision of Monitoring Officer, Deputy Monitoring Officer & Legal Services 2016 – 2018

Appendices	None

Implications

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

PURPOSE OF REPORT	**To seek approval to extend the existing contract for the provision of Monitoring Officer, Deputy Monitoring officer and Legal Services by one year.**

EXECUTIVE SUMMARY	The provision of the Monitoring Officer (plus their Deputy) and Legal Services is through a contract with Brighton & Hove City Council (BHCC). These arrangements have been in place since the Authority's creation in 1997, and the current contract runs for two years from 1 April 2016 to 31 March 2018, with the option for a further one year extension subject to the written agreement of both parties.

Since the contract was let, BHCC Legal Services has become part of Orbis Public Law, albeit this is not an entity in its own right and any extension would still be with BHCC.

Officer's recommendation is that the contract should be extended for a further year and that options for 2019/20 are further evaluated given the importance of the service and the value which over three years exceeds both the EU Threshold and our own tender threshold within Contract Standing Orders. A further report will be brought to Members early in 2018/19.

RECOMMENDATION

Members are recommended to:

(i) approve the extension of the contract for the provision of Monitoring Officer, Deputy Monitoring Officer and Legal Services with Brighton and Hove City Council by a further year to 31 March 2019

(ii) note that a further report on options for the provision of Monitoring Officer, Deputy Monitoring Officer and Legal Services will be brought to members in early 2018/19

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1. INTRODUCTION

1.1 The provision of the Monitoring Officer (plus their Deputy) and Legal Services is through a contract with Brighton & Hove City Council (BHCC). These arrangements have been in place since the Authority's creation in 1997, and the current contract runs for two years from 1 April 2016 to 31 March 2018, with the option for a further one year extension (contract para 1.1.1) subject to the written agreement of both parties. Further background is provided in the report to the Fire Authority 10 December 2015.

1.2 The contract has not been subject to competition since its inception. This position was reviewed prior to the current contract being let and based on QC's advice provided to East Sussex County Council in relation to the provision of financial services the contract was determined to be outside of the Public Contract Regulations 2015 and hence a direct award could be made. The prices offered by BHCC, which were a reduction on those under the previous contract, were benchmarked and found to be favourable.

2. CURRENT SITUATION

2.1 Since the contract was let, BHCC Legal Services has become part of Orbis Public Law, albeit this is not an entity in its own right and any extension would still be with BHCC. The Monitoring Officer is not part of Orbis Public Law, and the Deputy Monitoring Officer (who works for the Authority two days per week based at the joint HQ in Lewes) and our key contacts for legal services remain employed by BHCC. However the move of BHCC Legal Services to Orbis should give us access to a wider range of legal services / advice.

2.2 Legal advice is also provided outside of the contract with BHCC primarily this has been specialist legal support for Business Safety which is provided through a separate contract and for the IT Transformation which was provided by DAC Beechcroft (DACB).

2.3 Spend on legal services over the last three years is as follows:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Monitoring Officer	58.1	58.1	58.4	174.6
Legal Services	59.7	129.3	62.2	251.2
Sub-total BHCC Legal Services	117.8	187.4	120.6	425.8
Other	8.5	29.9	80.0	118.4
Total	126.3	217.3	200.6	544.2

The legal service budget for 2017/18 (BHCC only) is £109k. Higher than budgeted spend over the last three years has been primarily related to external legal advice on the SCC Project and legal services related to the sale of service houses / SHQ.

2.4 The contract for regulatory advice to support Business Safety was agreed to stay outside of the arrangement with BHCC due to its specialist nature. It was subject to competition and a three year contract was awarded which ends on 18 January 2018. Separate arrangements are being made to re-let this contract.

2.5 Regular contract management meetings are held with the BHCC Head of Legal Services to monitor the performance of the contract and ensure that any improvements are raised and actioned. Overall officers are satisfied that the contract continues to meet the needs of the Authority, and that further improvements will be achieved through to introduction of a clearer set of key performance indicators against which delivery can be monitored. These KPIs are currently being developed.

2.6 BHCC has advised that pricing for 2018/19 will be a 3.5% increase on the contract prices for 2016/17 which is equivalent to £3,800 on the budget of £109,000. The existing contract provides for inflationary increases of 1% p.a. The contract also includes a set fee of £1,750 for additional travel in relation to the DMO – in reflection of the move of HQ from Eastbourne to Lewes it has been agreed that this will be reduced. The net increase in the contract price

2.7 Due to the recent change in personnel within the Clerking Team the Authority has increased, for a short period, the days worked by the DMO to three per week to help provide cover.

2.8 On this basis it is Officer's recommendation that the contract should be extended for a further year and that options for 2019/20 are further evaluated given the importance of the service and the value which over three years exceeds both the EU Threshold and our own tender threshold within Contract Standing Orders. A further report will be brought to Members early in 2018/19.