



EAST SUSSEX FIRE AUTHORITY

POLICY & RESOURCES PANEL

THURSDAY, 26 JULY 2018 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.	
94	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
95	1	Election of Chairman
96	1	Apologies for Absence.
97	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)
98	3	<u>Minutes of the last Policy & Resources Panel meeting held on 24 May 2018 (copy attached)</u>

Item No.	Page No	
99	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.
100	7	<u>Revenue Budget and Capital Programme Monitoring 2018/19 - Report of the Assistant Director Resources/Treasurer</u> (<i>copy attached</i>)
101	2	Exclusion of the Press and Public To consider whether, in view of the business to be transacted or the nature of the proceeding, the press and public should be excluded from the remainder of the meeting on the grounds that, if the press and public 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.
102	19	<u>Procurement Strategy – Report of the Procurement Manager</u> (Exempt category under paragraph 4 of the Local Government Act 1972) (<i>copy attached</i>)

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 County Hall, St Anne's Crescent, Lewes at 11:30 hours on Thursday, 24 May 2018.

Members Present: Councillors Barnes, Elford, Peltzer Dunn, Scott and Tutt.

In attendance:

D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement) and A Blanshard (Senior Democratic Services Officer).

87 DECLARATIONS OF INTEREST

87.1 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.

88 APOLOGIES FOR ABSENCE

88.1 Apologies had been received from Councillors Dowling and O'Quinn.

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

89.1 The Chairman informed Members that there would be an urgent Group Leaders Meeting immediately after the conclusion of the Panel Meeting.

90 MINUTES OF THE POLICY & RESOURCES PANEL MEETING HELD ON 18 JANUARY 2018

90.1 **RESOLVED** – That the minutes of the meeting of the Policy & Resources Panel held on 18 January 2018 be approved as a correct record and signed by the Chairman. (*Copy in Minute Book*)

91 CALLOVER

91.1 Members reserved the following items for debate:

92 Revenue Budget and Capital Programme Provisional Outturn 2017/18

93 Occupational Health Collaboration Project

92 REVENUE BUDGET AND CAPITAL PROGRAMME PROVISIONAL OUTTURN 2017/18

92.1 The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) containing information on the provisional outturn for the 2017/18 Revenue Budget and Capital Programme. (*Copy in minute book*)

- 92.2 Members were informed that the report was on an exception basis and addressed those areas where there were clear issues or risks, the ADR/T explained that as these figures were provisional, there was a chance that they would change as the year end processes continued. The reason for the figures being provisional was due to the statutory deadline being brought forward to the end of May.
- 92.3 The Panel were advised that the revenue budget was provisionally forecast to underspend by £196,000 or 0.4% of the Net Revenue Budget, which had been previously reported as £454,000 underspent. There had been a range of variances across the budget, the ADR/T explained that the most material were:
- an overspend of 1.6% within the Safer Communities Directorate as a result of an overspend on operational staff within the Boroughs due to running over budgeted establishment through the use of overtime and fixed term contracts being used to cover sickness absence, secondments and light duties. The Panel were informed that there was significant work underway to address this issue, including an Officer Review, improved management of sickness absence and more robust monitoring of operational establishment.
 - a 2.1% underspend within Resources/Treasurer which included the costs awarded to the Authority following a successful Business Safety prosecution.
- 92.4 The ADR/T told Members that the overall Capital Programme was provisionally forecast to be £61,000 underspent, related to Newhaven Fire Station and Service HQ relocation as both schemes came in under budget. The 2017/18 Capital Programme is provisionally forecast to be £1,887,000. The ADR/T explained that although the Programme was reviewed as part of the budget report in February there had been further slippage on appliance, ancillary vehicles and cars and vans whilst the Fleet Strategy was under review, this meant that technically this was a phasing issue rather than a true underspend.
- 92.5 The Panel were reminded that the Authority maintained Earmarked and General Reserves in order to assist in managing spending plans across the financial year and making provision for financial risks. The forecast outturn was expected to be £23.387m, 35% higher than planned resulting from Capital Programme slippage, Emergency Services Mobile Communication Project grant received earlier than required and of a greater value than expected and higher capital receipts from the sale of the old Eastbourne HQ.
- 92.6 Members requested an explanation of plans to reduce the held reserves, as they should be less than 5% and we may have to in future explain our reasons for them. The ADR/T explained that there would be interest from central government regarding levels of reserves. He explained that the Authority held reserves which was prudent, Members were reminded that there was a detailed policy regarding this that had been approved by the Authority in February. There was no formula for calculating reserve levels, it was important to be aware of the risks faced and how they would be managed, there was a pattern across local government using reserves to guard against unexpected changes in funding, in accordance with the Medium Term Financial Plan almost all of the Services existing reserves will have been spent in a years' time.

- 92.7 The ADR/T then explained that there was £2.6m in the Capital Programme for Preston Circus, work on this project had been paused in order to complete a phase of the Estate Strategy, including creation of a design guide, awaiting sign-off, which would enable the production of 'blue-prints' for all types of Fire Station. Members were informed that an Estates Strategy Steering group had been created and Councillor Peltzer Dunn was representing Members on this group. The group was beginning to stand up governance arrangements around Preston Circus, a detailed project plan was anticipated with work potentially starting in summer 2019.
- 92.8 Members thanked the ADR/T for his helpful and interesting contribution and they agreed that it was important to get the Preston Circus project right. They then requested an update on the whether the ADR/T had been able to improve the return on investments. The ADR/T explained that the Authority continued to prioritise security and liquidity but was already being less risk adverse whilst ensuring the Authority had an appropriate level of liquid resources available.
- 92.9 **RESOLVED** – That the panel:
- i) noted the provisional 2017/18 revenue budget outturn;
 - ii) noted the provisional 2017/18 capital programme outturn;
 - iii) noted the use of reserves during the year;
 - iv) noted the capital programme slippage;
 - v) noted the current year investments; and
 - vi) approved the transfer of the revenue underspend into the improvement and efficiency reserve.

OCCUPATIONAL HEALTH COLLABORATION PROJECT

- 93.1 The Panel considered the report of the Assistant Director Human Resources and Organisational Development (ADHR&OD) which requested ratification of the adoption of a new partnership model for the provision of Occupational Health and Wellbeing services to East Sussex Fire & Rescue Service. (*Copy in minute book*)
- 93.2 The ADHR&OD informed the Panel that the new model offered a different approach to occupational health. She explained that the Service had used an outsourced model for the provision of occupational health services, this had experienced a number of challenges and notice had been given to the provider, with the contract ending on 30 June 2018.
- 93.3 The Panel were informed that the Service were working towards a partnership service with Surrey & Sussex Police and Surrey Fire & Rescue Service. This new partnership model would offer the Service additional resilience. Surrey & Sussex Police had been part of a fully collaborated occupational health service since July 2016 and Surrey FRS had joined the collaboration in August 2017.
- 93.4 The ADHR&OD explained that the collaborated service would, in addition to being a collaboration providing greater resilience, support ESFRS strategies including

Agenda Item No. 100

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy & Resources
Date	26 July 2018
Title of Report	Revenue Budget and Capital Programme Monitoring 2018/19
By	Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Warren Tricker, Finance Manager

Background Papers	None
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Appendices	Appendix 1: 018/19 Revenue Budget – Functional Analysis Appendix 2: 2018/19 Capital Budget Monitoring Appendix 3: All Years Capital Budget Monitoring (to 2022/23) Appendix 4: 2018/19 Reserves Projections Appendix 5: Monitoring of Savings 2018/19 Appendix 6: Investment as at 30 June 2018
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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 2018/19 Revenue Budget and Capital Programme as at 30 June 2018.
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EXECUTIVE SUMMARY	At this very early stage in the financial year this report is on an exception basis and addresses those areas where there are clear issues or risks. The Revenue budget is projected to overspend by £190,000, although there many significant risks to this (section 3).
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The overall Capital Programme is projected to be £13,000 over budget, whilst the current year's Capital Programme is

projected to underspend by £3,168,000. The 2017/18 schemes that underspent, through the programme slipping, have been added to the 2018/19 current year schemes. The significant underspend is primarily due to slippage of Fleet and Equipment spend.

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, can be found at Appendix 4.

A summary of the savings, £0.686m, already taken from the 2018/19 budget, is set out in Appendix 5.

RECOMMENDATION

Panel is asked to note:

- (i) the risks to and the projected Revenue Budget overspend;
 - (ii) the risks to and the projected underspend in the current year's Capital Programme;
 - (iii) the use of reserves;
 - (iv) the monitoring of savings taken in 2018/19; and
 - (v) the current year investments.
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1 INTRODUCTION

- 1.1 This report is based upon enquiries as at 30 June 2018. The Report discloses the main risks, issues and material variances.

	This P&R report £'000	Last P&R report £'000	Movement £'000
Revenue (see paragraph 2)	190	n/a	n/a
Capital in year (see paragraph 5)	(3,168)	n/a	n/a

- 1.2 This is the first report to the Panel for 2018/19 financial year and at this very early stage it is difficult to accurately forecast outturn and there may be elements both internal and external that will influence the final position.
- 1.3 This Report highlights risks to the 2018/19 Revenue Budget that may result in significant change to the projections. While certainty increases as the year progresses circumstances change and new risks arise and this Report considers the risks faced.

2 REVENUE BUDGET COMMENTARY

- 2.1 **Resources/Treasurer:** Whilst it is too early in the financial year to accurately project figures, initial analysis has identified a projected overspend of £94,000.
- 2.1.1 **Estates:** Business Rates on Service properties overall have risen by 3.9% whereas the inflationary increased used whilst preparing the 2018/19 budget was 2.5%. This indicates a projected overspend of £39,000. The Estates Manager is considering measures to contain this forecast overspend within the overall Estates budget.
- 2.1.2 **Finance:** The budget manager has indicated that there could potentially be an underspend on Financial Services provided by East Sussex County Council of approximately £30,000.
- 2.1.3 **Information Technology Governance:** There are pressures on the ITG budget resulting in a forecast overspend of £85,000. There is a pressure on operational spend of £50,000 and £35,000 on agency resources to cover the vacant Outsource Relationship Manager position.
- 2.2 **Safer Communities; Boroughs:** The most complex budget to forecast the Borough Commanders budget is forecast to be £134,000 overspent. This is based on actual spend on Wholetime pay in the first three months of the year compared to the budget for the same period and substantiated by the actual number of officers paid. If spend continues at the same rate the position at the end of the financial year could be as much as £536,000. The Service Review (formerly Officer Review) is addressing operational staff and the related budget however will not be concluded until November.
- 2.3 **Non Delegated Costs:** There is a projected overspend on Injury Allowance pensions of £22,000.

2.4 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manager in year budget pressures and was set at £569,300 for 2018/19. For the purposes of this report the £12,700 balance remaining is assumed to be spent in full.

3 REVENUE BUDGET AND CAPITAL PROGRAMME RISKS

3.1 **Safer Communities: Operational Staffing:** There is a significant risk of an overspend on the Safer Communities Budget. Current monitoring shows that 361 Grey/Gold Book staff are being paid (including fixed term contracts but excluding SCC) against an agreed establishment of 337. While the current forecast overspend takes account of this to the end of June 2018 further work is required through the Service Delivery Implementation Board and through the monthly Resource Planning meetings, to set out how this pressure will be managed through the financial year. In addition the agreed project funding for the Service Delivery Implementation Team will cease 31 July whilst the project continues potentially to the end of January adding an additional £52,000 to any overspend.

3.2 The Authority continues to face a number of potential **pay related risks** that were not resolved in 2017/18:

- Negotiations are ongoing between Fire Service Employers and the Fire Brigades Union (FBU) on a pay award for 2017/18. Agreement has been reached to make payment of 1% backdated to 1 July 2017 pending the outcome of the negotiations and this is the baseline position in the 2018/19 Revenue Budget.
- 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 potential financial impacts both one off (for back pay) and ongoing. The dispute is currently with ACAS for arbitration.

3.3 **Sussex Control Centre:** the Authority has already identified funding of £274,000 to meet pressures related to the SCC Project and Business As Usual (BAU) budgets. It is likely that further costs will be incurred beyond this amount due to delay in WSFRS transition causing further pressures on the BAU budget, the need to maintain a project team beyond September 2018 and the risk that the legacy 3tc system support costs are extended beyond 30 June 2018.

3.4 **Capital Programme:** The Capital Programme has seen significant slippage in recent years and given the size of the Capital Programme for 2018/19 at £5.1m (incl. £1.8m slippage from 2017/18) effective management of schemes will be required if the full programme is to be delivered. The main area of risk is Fleet and Equipment where the review of Fleet Strategy continues and there is potentially up to £4.1m of spend in 2018/19.

3.5 All of these risks will continue to be monitored in 2018/19 and actions are already being taken however 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. As this report notes the Corporate Contingency has been almost fully committed so this leaves the identification of additional in year savings or managed underspends and use of General Balances.

4 MONITORING OF SAVINGS

- 4.1 Appendix 5 shows the savings to be achieved in 2018/19. The relevant budgets have already been reduced in preparing the 2018/19 budget.
- 4.2 In view of the high numbers of additional Wholetime (Grey Book) firefighters, the number actually paid in July was 358, the budget is set on 334 FTE, it is extremely unlikely that the 2018/19 savings for Riding at Standard will be achieved and this is being considered by the Service Delivery Implementation Team. The projected overspend in paragraph 2.2 is reflected in Appendix 5.

5 CAPITAL PROGRAMME COMMENTARY

- 5.1 The Underspend from 2017/18 (slippage) of £1,826,000, has been added to the current year's programme, giving a total in year, Capital Programme of £5,131,000. The 2018/19 programme is projected to underspend by £3,168,000. The overall capital programme is projected to overspend by £13,000, with the BA Chambers projected to overspend.
- 5.2 **Preston Circus:** The scheme is expected to be £100,000, with the remaining £100,000 slipping to 2019/20.
- 5.3 **BA Chambers:** The scheme is projected to overspend by £13,000, and problems have been experienced in achieving specified temperatures that are being investigated.
- 5.4 **Fleet and Equipment:** Schemes are expected to underspend, slip, by £3,081,000.
- 5.5 **Appliances:** The 2017/18 Appliances scheme are on order and it is anticipated to have the chassis built by the end of the financial year, £700,000 will need to be slipped.
- 5.6 **Appliances:** 2018/19 this scheme is not expected to start the whole budget will need to slip, £1,343,000.
- 5.7 **Ancillary Vehicles and Cars and Vans:** The project manager has advised that there will be a total spend of £640,000 in the current year, the remaining £1,038,000 will need to slip into 2019/20.

6 RESERVES

- 6.1 The table in Appendix 4 shows the planned use of reserves for 2018/19.
- 6.2 The planned transfers are as recorded in the Fire Authority meeting in February 2018.

7 BORROWING AND INVESTMENT

- 7.1 As at the 30 June 2018, the Authority held cash balances of £22.7m which were invested as set out in Appendix 6 in accordance with the Treasury Management Strategy. The amount invested is projected to gain £60,000 more in interest than budgeted for.

Appendix 1

East Sussex Fire Authority

2018/19 Revenue Budget – Objective Analysis

	Original Budget	Revised Budget	Projected Outturn	Variance	Variance
	£'000	£'000	£'000	£'000	%
Training and Assurance	2,318	2,318	2,318		0.0
Resources/Treasurer	6,951	6,966	7,060	94	1.3
Planning and Improvement	1,139	1,146	1,146		0.0
Total Deputy Chief Fire Officer	10,408	10,430	10,524	94	0.9
Human Resources and OD	911	1,012	1,012		0.0
Safer Communities	18,271	18,314	18,448	134	0.7
Operational Support	3,581	3,665	3,665		0.0
Total Assistant Chief Fire Officer	22,763	22,991	23,125	134	0.6
CFO Staff	655	660	660		0.0
Treasury Management	2,056	2,056	1,996	(60)	(2.9)
Non Delegated costs	541	541	563	22	4.1
Corporate Contingency	569	314	314		0.0
Transfer to Reserves	1,148	1,148	1,148		0.0
Transfer from Reserves			0		
Total Corporate	4,969	4,719	4,681	(38)	(0.8)
Total Net Expenditure	38,140	38,140	38,330	190	0.5
Financed By:					
Council Tax	(26,173)	(26,173)	(26,173)		0.0
Business Rates	(7,594)	(7,594)	(7,594)		0.0
Revenue Support Grant	(3,660)	(3,660)	(3,660)		0.0
S31 Grants	(412)	(412)	(412)		0.0
Collection Fund Surplus/Deficit	(301)	(301)	(301)		0.0
Total Financing	(38,140)	(38,140)	(38,140)	0	0.0
Total Over / (Under) Spend	0	0	190	190	0.5

Appendix 2

East Sussex Fire Authority

2018/19 Capital Budget Monitoring

Capital Programme Expenditure	Base Budget 2018/19	SLIPPAGE from 2017/18	Current budget 2018/19	Projected Outturn	Variance	Variance
	£'000	£'000	£'000	£'000	£'000	%
Property – Major Schemes						
Preston Circus	200		200	100	(100)	(50)
ITF South East Workshop	250		250	250		0
Total Property major	450	0	450	350	(100)	(22.2)
Property – General Schemes						
General Schemes	500	(226)	274	274		0
BA Chambers	0	5	5	18	13	100
Replacement Fuel Tanks	140	50	190	190		0
Sustainability	55	(3)	52	52		0
Security	50		50	50		0
Total Property General	745	(174)	571	584	13	2.3
Information Management						
Sussex Control Centre	50		50	50	0	0
Fleet & Equipment						
Fire Appliances 2018/19	1,343		1,343		(1,343)	(100)
Fire Appliances 2017/18	0	970	970	270	(700)	(72.2)
Ancillary Vehicles 2018/19	330		330		(330)	(100)
Ancillary Vehicles 2017/18	0	676	676		(676)	(100)
Cars & Vans 2018/19	387		387	355	(32)	(8.3)
Cars & Vans 2017/18	0	285	285	285	0	0
BA & Ancillary Equipment	0	69	69	69	0	0
Sub Total	2,060	2,000	4,060	979	(3,081)	(75.9)
Total Expenditure	3,305	1,826	5,131	1,963	(3,168)	(61.7)

Appendix 3

East Sussex Fire Authority

2018/19 - 2022/23 Capital Budget Monitoring

Capital Scheme	Original Budget as agreed CFA Feb 2018 £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000	Variance %
Property Major Schemes					
Preston Circus	2,550	2,550	2,550	0	0.0
ITF South East Workshop	1,000	1,000	1,000	0	0.0
Subtotal	3,550	3,550	3,550	0	0.0
Property General Schemes					
General Schemes	2,794	2,794	2,794	0	0.0
BA Chambers	360	360	373	13	3.6
Replacement Fuel Tanks	220	220	220	0	0.0
Sustainability	441	441	441	0	0.0
Security	150	150	150	0	0.0
Subtotal	3,965	3,965	3,978	13	0.0
Information Management					
IMD Strategy SCC	1,672	1,672	1672	0	0.0
Fleet & Equipment					
Fire Appliances	7,674	7,674	7,674	0	0.0
Ancillary Vehicles	2,729	2,729	2,729	0	0.0
Cars & Vans	1,773	1,773	1,773	0	0.0
BA & Ancillary Equipment	750	750	750		
Subtotal	12,926	12,926	12,926	0	0.0
Total	22,113	22,113	22,126	13	0.0

Appendix 4

East Sussex Fire Authority

2018/19 Reserves Projections

Description	2018/19	2018/19	2018/19	Projected Closing Balance
	Opening Balance 01/04/18 £'000	Planned Transfers In £'000	Planned Transfers Out £'000	31/03/2019 £'000
Earmarked Reserves				
Improvement & Efficiency	1,026	0	(538)	488
Sprinklers	290	200	(290)	200
Insurance	249	0	0	249
ESMCP ESFRS readiness	1,060	0	(660)	400
ESMCP Regional Programme reserve	277	639	(468)	448
Safer Business Training	165	0	(83)	82
IT Strategy	923	2,525	(1,226)	2,222
Wholetime Firefighter recruitment	294	0	(294)	0
Capital Programme Reserve	5,812	500	(2,077)	4,235
Total Earmarked Reserves	10,096	3,864	(5,636)	8,324
General Fund	3,142	0	0	3,142
Total Revenue Reserves	13,238	3,864	(5,636)	11,466
Capital Receipts Reserve	7,668	515	(1,624)	6,559
Total Capital Reserves	7,668	515	(1,624)	6,559
Total Usable Reserves	20,906	4,379	(7,260)	18,025

- Note this does not include the 2017/18 underspend £196,000, which when audited will be added to the I & E reserve

East Sussex Fire Authority

	Budget	Current	Variance
	2018/19	Forecast	2018/19
	£'000	2018/19	2018/19
		£'000	£'000
Phase Two Savings			
Phase 2 Riding at Standard	(280)	(146)	134
Total Phase Two Savings	(280)	(280)	134
Total non-operational savings	(200)	(200)	0
Total additional savings	(206)	(206)	0
Total all other savings	(406)	(406)	0
Total Savings	(686)	(552)	134

Appendix 6

East Sussex Fire Authority

Investment as at 30 June 2017

Counterparty	Type	Amount £'000	Rate %
Barclays	95 Day notice	4,000	0.70
Santander	95 Day notice	4,000	0.70
Lloyds / HBOS	175 Day Notice	4,000	0.75
Goldman Sachs 1B	6 months fixed	4,000	0.83
NatWest	1 year fixed	4,000	0.40
Standard Life	MMF	2,700	0.49
Total Current Investments		22,700	

