



EAST SUSSEX FIRE AUTHORITY

FRIDAY 14 FEBRUARY 2014 at 10.30 HOURS

MEMBERS

East Sussex County Council (12)

Councillors Barnes, Buchanan, Butler, Earl, Galley, Howson, Lambert, Pragnell, Scott, Sheppard, Taylor and Wincott.

Brighton & Hove City Council (6)

Councillors Carden, Hawtree, Peltzer Dunn, Powell, Rufus and Theobald.

You are required to attend this meeting to be held at Fire and Rescue Service Headquarters, 20 Upperton Road, Eastbourne at 10.30 a.m.

AGENDA

Item No.	Page No.	
762.	1	In relation to matters on the agenda, seek declarations of any disclosable pecuniary interests under Section 30 of the Localism Act 2011.
763.	1	Apologies for absence.
764.	1	Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's Business. (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).
765.	1	To consider any public questions.
766.	1	To receive any petitions.
767.	3	Non-confidential minutes of the meeting held on 12 December 2013 (copy attached).

768. 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 Fire Authority to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.
769. 9 Role of Treasurer – joint report of the Chief Fire Officer & Chief Executive and Monitoring Officer (copy attached).
770. Fire Authority Service Planning Processes for 2014/15 and beyond – joint report of the Chief Fire Officer & Chief Executive and Treasurer (copy attached).
11 Part A Draft Annual Plan 2014/15
13 Part B Fire Authority Service Planning processes for 2014/15 and beyond – Revenue Budget 2014/15 and Interim Capital Programme 2014/15- 2018/19
771. 65 Integrated Risk Management Plan (IRMP) Review of Prevention, Protection and Response – report of the Chief Fire Officer & Chief Executive (copy attached).
772. 89 Fire Authority Treasury Management Strategy 2014/15 – report of the Treasurer (copy attached).
773. 117 Pay Policy Statement for 2014/15 – report of the Monitoring Officer (copy attached).
774. 127 Procurement Strategy 2014/15 – report of the Chief Fire Officer & Chief Executive (copy attached).
775. 2 Exclusion of the Press and Public.
To consider whether, in view of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the remainder of the meeting on the grounds that, if the public and press were present, there would be disclosure to them of exempt information. **NOTE:** Any item appearing in the confidential part of the Agenda states in its heading the category under which the information disclosed in the report is confidential and therefore not available to the public. A list and description of the exempt categories are available for public inspection at East Sussex Fire & Rescue Service HQ, 20 Upperton Road, Eastbourne, and at Brighton and Hove Town Halls.
776. 151 Confidential minutes of the meeting held on 12 December 2013 (copy attached). (Exempt category under paragraphs 3 and 4 of the Local Government Act 1972).
777. 157 Sussex Control Centre – progress update – confidential report of the Chief Fire Officer & Chief Executive (copy attached). (Exempt category under paragraph 3 of the Local Government Act 1972).
778. - Industrial Action by Fire Brigades' Union members – Update – confidential verbal report of the Chief Fire Officer & Chief Executive. (Exempt category under paragraph 4 of the Local Government Act 1972).

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

EAST SUSSEX FIRE AUTHORITY

Minutes of the meeting of the East Sussex Fire Authority held at East Sussex Fire & Rescue Service Headquarters, 20 Upperton Road, Eastbourne, at 10.30 hours on Thursday 12 December 2013.

Present: Councillors Barnes, Buchanan, Butler, Carden, Earl, Galley, Hawtree, Howson (Chairman), Peltzer Dunn, Powell, Pragnell, Rufus, Scott, Sheppard, Taylor, Theobald and Wincott.

Also present:

Mr. D. Prichard (Chief Fire Officer & Chief Executive), Mr. G. Walsh (Deputy Chief Fire Officer), Mr. G. Ferrand (Assistant Chief Fire Officer), Mrs. C. Rolph (Assistant Chief Officer), Mr. D. Savage (Treasurer), Miss. L. Woodley (Deputy Monitoring Officer), Mr. R. Charman (Director of Financial Services) and Mrs. S. Klein (Clerk).

747. **DISCLOSABLE PECUNIARY INTERESTS**

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

748. **APOLOGIES FOR ABSENCE**

748.1 Apologies for absence were received from Councillor Lambert.

749. **URGENT ITEMS AND CHAIRMAN'S BUSINESS**

749.1 There were none.

750. **TO CONSIDER PUBLIC QUESTIONS, IF ANY**

750.1 There were none.

751. **TO ACCEPT PETITIONS, IF ANY**

751.1 There were none.

752. **NON-CONFIDENTIAL MINUTES OF THE MEETING HELD ON 12 SEPTEMBER 2013**

752.1 **RESOLVED** – That the non-confidential Minutes of the meeting held on 12 September 2013 be approved and signed by the Chairman. (Copy in Minute Book).

753. **CALLOVER**

753.1 Members reserved the following items for debate:

754. Sussex Control Centre

756. Industrial Action by Fire Brigades' Union members

757. Quarterly Report for July to September 2013

753.2 **RESOLVED** – That all other reports be resolved in accordance with the recommendations as detailed below.

754. **SUSSEX CONTROL CENTRE**

- 754.1 The Fire Authority considered a report of the Chief Fire Officer & Chief Executive which updated Members on the progress with Sussex Control Centre. (Copy in Minute Book).
- 754.2 The Chief Fire Officer & Chief Executive (CFO&CE) informed Members that the building side of the project was progressing to time and to budget, with handover of the building planned for 20 December 2013. The HR work stream had been closed and it was now known who would be leaving and when, with all costs within the budget.
- 754.3 However, information now received on other workstream aspects indicated that meeting a 'go live' date of no later than 31 March 2014 was unlikely to be achieved.
- 754.4 A Joint Programme Board meeting had been convened between ESFRS and WSFRS Principal Officers to discuss the implications and they received a full briefing from the SCC Project Owner. Following this meeting, an Urgency Panel meeting was convened for 28 November 2013 where Members of the Panel were provided with a briefing.
- 754.5 The Urgency Panel had endorsed the revised project plan proposed by officers and asked officers to identify funding sources as part of the Budget planning processes to fund the additional costs and loss of savings.
- 754.6 It was considered that no further announcements on a 'go live' date should be made until February 2014.
- 754.7 The Treasurer informed Members that the projected additional costs were unlikely to be as high as initially reported, now estimated at £150-£200k over a four month period. The main focus, however, continued to be the delivery of the project.
- 754.8 Councillor Scott congratulated ACO Rolph on the project, saying that he was comfortable with the slight delay to the 'go live' date as, ultimately, savings would be realised. Councillor Pragnell was disappointed about the delay, but also congratulated the ACO on doing so well. Councillor Theobald also agreed with Councillor Scott and also asked the CFO&CE about plans for the HQ building, which was becoming too large for the number of staff who would be based there.
- 754.9 The CFO&CE gave Members a brief update on the work being undertaken by the ACFO to identify the best option for a future HQ.
- 754.10 **RESOLVED** – That the report be noted.

755. **SERVICE PLANNING UPDATE 2014/15-2018/19**

755.1 The Fire Authority considered a joint report of the Chief Fire Officer & Chief Executive and Treasurer which provided an update on the Service planning process. (Copy in Minute Book).

755.2 **RESOLVED** – That the update on the Service planning process be noted.

756. **INDUSTRIAL ACTION BY FIRE BRIGADES' UNION MEMBERS – UPDATE**

756.1 The Fire Authority considered a report of the Chief Fire Officer & Chief Executive which informed Members of the current position on industrial action by members of the Fire Brigades' Union. (Copy in Minute Book).

756.2 The Chief Fire Officer & Chief Executive explained that the discontinuous strike action agreed by Fire Brigades' Union (FBU) following a ballot of its members remains in place on dates and times notified by the FBU. The FBU had run an additional ballot of its members, including control room staff, for industrial action short of strike action and this closed on 4 December 2013. The CFO&CE reported that, of those who had taken part in the ballot, 85.4% had voted for, and 14.3% against industrial action short of a strike (with 0.3% 'spoiling' their voting papers).

756.3 Members noted that this vote would supplement, but not replace, the current strike action ballot in England and Wales. The CFO&CE explained that 'industrial action short of strike action' could include a refusal to work over-time or 'act up' in order to keep an appliance on the run – once they had definite information, officers could consider their options to mitigate the impact on the Service.

756.4 Councillor Scott declared an interest in this item as a member of Unite. He was disappointed that the Fire Minister seemed happy to see conflict, and wished that he would take a different approach, including more consultation. Councillor Theobald asked what effect the action was having on the Fire Authority's budget, and the Director of Financial Services confirmed that the action so far had cost a net £5-10k, with an additional £10-20k for preparation of vehicles for cover; if the action became protracted or continuous, these costs would increase.

756.5 **RESOLVED** – That the current position on industrial action by members of the Fire Brigades' Union be noted.

757. **QUARTERLY REPORT FOR JULY TO SEPTEMBER 2013**

757.1 The Fire Authority considered a report of the Chief Fire Officer & Chief Executive which provided the quarterly results for the period 1 July to 30 September 2013. (Copy in Minute Book).

757.2 Councillor Galley asked for clarification of paragraph 2.1, where the establishment showed 61 whole-time specialist and supervisory staff, but the actual strength showed 70.¹

¹ Members were subsequently notified that, following the ICS Review taking effect on 1 June 2013, nine posts were removed from the Establishment, however, individuals had remained in post to complete project work, or were yet to be relocated into Established posts.

- 757.3 Councillor Hawtree was concerned that the number of false alarms attended was as high as fires attended and special services (including road traffic collisions) put together. The CFO&CE explained that a false alarm was treated as a fire when the call was received, and until proven to be a false alarm; CFOA had published guidance on false alarms, and a paper with options would be brought to a future meeting. Councillor Hawtree also asked about the costs involved and the CFO&CE explained that more detail used to be included on the Quarterly Report, until Members had asked for this to be reduced; officers would be guided by Members as to the type of information to be provided, and the format in which to do this.
- 757.4 Councillor Taylor asked whether there was any way of reducing false alarms and Councillor Scott suggested charging repeat offenders. He also suggested re-introducing the Top 20 list of offenders to the Quarterly Report. Councillor Barnes suggested that the Scrutiny & Audit Panel should be tasked with examining the issue in more detail, and this type of report should only go to the full Fire Authority on an annual basis.
- 757.5 Councillor Theobald asked whether Over the Border Calls assistance to West Sussex was mainly to Shoreham, and the CFO&CE confirmed this was correct. He also explained that a large number of the Retained Duty System resignations occurred because firefighters found primary employment which meant they could no longer continue their RDS role. The cost of RDS recruitment was subsequently increasing.
- 757.6 **RESOLVED** – That the report be noted.
758. **EXCLUSION OF PRESS AND PUBLIC.**
- 758.1 Councillor Scott moved a recommendation, which was seconded by Councillor Wincott, that item 761 be discussed in the open part of the meeting, as he felt it would be in the public interest. Councillors Theobald and Barnes suggested that, as the proposals being discussed were still in their formative stage, it was not the right time to discuss in open session; Councillor Barnes stated he was fully in support of open meetings and public transparency, but the proposals were not yet at this stage. Councillor Hawtree also felt that it was better to discuss the various options in private initially, as he was concerned that the proposals being discussed could be misinterpreted. The Deputy Monitoring Officer explained that the report contained confidential information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority, but it was for Members to decide where the public interest lay. Councillor Scott called for a recorded vote to be taken on item 761 being discussed in the open part of the meeting, supported by Councillors Carden, Rufus and Wincott, and the votes were recorded as follows:
- For: (3) Councillors Carden, Scott and Wincott
 Against: (14) Councillors Barnes, Buchanan, Butler, Earl, Galley, Hawtree, Howson (Chairman), Peltzer Dunn, Powell, Pragnell, Rufus, Sheppard, Taylor and Theobald

758.2 **RESOLVED** – That the following items be exempt under the paragraphs indicated 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 the financial or business affairs of any particular person and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority:

759. Paragraphs 3 and 4

760. Paragraph 3

761. Paragraph 4

The meeting concluded at 13:35 hours.

Signed

Chairman

Dated this day of

2014.

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**
Title: **Role of Treasurer**
By: **Chief Fire Officer & Chief Executive and Monitoring Officer**
Purpose of Report: **To seek the Fire Authority's approval to appoint to the role of Treasurer and Section 151 Officer.**

RECOMMENDATION: The Fire Authority is asked to:

- i) formally approve the appointment of a Treasurer and Section 151 Officer to the Fire Authority;
- ii) approve an amendment to the Chief Fire Officer & Chief Executive's delegated powers as set out in paragraph 2.2;
- iii) approve an amendment to the terms of reference for the Principal Officer Appointments Panel as per paragraph 2.2;
- iv) delegate responsibility to the Chief Fire Officer & Chief Executive to make the necessary arrangements through a competitive recruitment process.

MAIN ISSUES

1. The East Sussex Fire Services (Combination Scheme) Order 1996 requires the Authority to appoint a Treasurer, and Section 151 of the Local Government Act 1972 requires every local authority to secure that one of their officers is responsible for the proper administration of their financial affairs.
2. The role of Treasurer to the Fire Authority was previously part of the larger financial and exchequer services contract with East Sussex County Council, which came to an end on 31 March 2013.
3. Following the Fire Authority's decision in February 2013 to authorise the Chief Fire Officer & Chief Executive to appoint a Treasurer for up to 18 months, interim arrangements were put in place and Mr Duncan Savage was appointed to the role on a part-time basis (three and a half days per week). Mr Savage was initially appointed until 31 March 2014 and, in accordance with the Fire Authority's resolution, this has now been extended until 30 September 2014.
4. However, a permanent solution now needs to be arrived at and it is, therefore, recommended that a competitive process to appoint a permanent part-time Treasurer is now embarked on.
5. The current provisions within the Fire Authority Scheme of Delegations do not readily facilitate the shortlisting and appointment of the Treasurer and, as such, amendments to the CFO&CE's delegated powers, and the terms of reference of the Principal Officer Appointments Panel are recommended, noting that the post of Treasurer is not deemed to be a Principal Officer.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
30 January 2014

Abraham Ghebre-Ghiorghis
MONITORING OFFICER

1. APPOINTMENT OF TREASURER

- 1.1 The previous arrangements have come to an end and East Sussex County Council has indicated that they no longer wish to provide the services of a Treasurer to East Sussex Fire Authority.
- 1.2 During the past 12 months, the Fire Authority has had access to a dedicated Treasurer and this helped strengthen the governance and financial approach of both the Authority and Service.
- 1.3 As such, it is now considered that the permanent solution for this statutory appointment is as an employee of the Authority and Members are, therefore, invited to approve the selection and recruitment of a part time Treasurer as a permanent employee of the Fire Authority, based on three and a half days a week.

2. DELEGATED FUNCTIONS

- 2.1 Under the current delegations, provision for the appointment of an employed Treasurer is not catered for. It is, therefore, recommended that the Chief Fire Officer & Chief Executive's delegated powers be amended to cover the shortlisting of candidates for the position of Treasurer, and that the terms of reference for the Principal Officer Appointment Panel are amended to include the appointment of the Treasurer.

- 2.2 The following revisions are therefore proposed:

Delegated powers

D 2 (Employees) to be amended to (amendment in bold):

'To shortlist candidates for the positions of Deputy Chief Fire Officer, Assistant Chief Fire Officer, Assistant Chief Officers **and the Treasurer.**'

Principal Officers Appointments Panel Terms of Reference 3 to be amended to (amendment in bold):

'To conduct final interviews and make appointments to the positions of Chief Fire Officer & Chief Executive, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Assistant Chief Officers **and Treasurer to the Fire Authority.**'

- 2.3 It is further recommended that, for this appointment, the Fire Authority give consideration to, and approve that, the Chief Fire Officer & Chief Executive be appointed as a professional adviser to the Appointments Panel and be afforded the usual rights, i.e. the ability to pose questions and score the interview process.
- 2.4 This recommendation is presented on the basis that the appointee will have a close working relationship with a number of key managers who, in the current organisational structure, are managed by the Chief Fire Officer & Chief Executive.

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**
Title: **Draft Annual Plan 2014/15**
By: **Chief Fire Officer & Chief Executive**
Purpose of Report: **To summarise the outstanding actions required to complete the Draft Annual Plan 2014/15 for approval and for final completion by the publication date of 30 June 2014.**

RECOMMENDATION: The Fire Authority is asked to:

- i. approve, in principle, the roll forward of the draft Annual Plan for publication by 30 June 2014, subject to any final amendments once the Revenue Budget has been approved at this meeting and other outstanding information set out in the report; and
- ii. delegate authority for the approval of the final version of the Annual Plan to the Chief Fire Officer & Chief Executive in consultation with the Chairman.

1. **INTRODUCTION**

- 1.1 The current 2013/14 Annual Plan contains key information on the Fire Authority's Service priorities for the year ahead including summary performance information and available resources.
- 1.2 The draft 2014/15 Annual Plan is prepared alongside the decisions being made by the Fire Authority and its Panels on similar issues for 2014/15 and beyond.
- 1.3 The Fire Authority, at its meeting on 12 December 2013, considered the key Service priorities and savings to meet the overall resources envelope available to the Fire Authority, but deferred final consideration on the precept until the February 2014 meeting.
- 1.4 The final version of the draft 2014/15 Annual Plan will be adapted to take into consideration the outcomes of all of the 2014/15 Service Planning preparations including current Community Risk Management review activities, the latest Revenue Budget and Capital Programme as well as the outcome of the corporate performance results 2013/14.
- 1.5 As agreed in previous years, the Fire Authority is asked to delegate authority for the approval of the final version of the Annual Plan to the Chief Fire Officer & Chief Executive, in consultation with the Chairman, prior to publication.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
14 January 2014

Background Papers
Minutes of the Fire Authority December 2013; and
Minutes of the P&R and S&A Panels November 2013 and January 2014

Agenda Item No. 770 Part B

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**

Title: **Fire Authority Service Planning processes for 2014/15 and beyond – Revenue Budget 2014/15 and Interim Capital Programme 2014/15 to 2018/19**

By: **Chief Fire Officer & Chief Executive and Treasurer**

Purpose of Report: **To consider and approve the final draft 2014/15 Fire Authority Revenue Budget and Interim Capital Programme.**

RECOMMENDATION

The Fire Authority is recommended to either:

1. approve the acceptance of the Council Tax Freeze Grant for 2014/15 (Option A) and as a result approve:
 - (i) the budget proposals set out in the Report and the net budget requirement of £38.602m for 2014/15;
 - (ii) the Council Tax requirement of £21.881m;
 - (iii) the Council Tax and precepts as set out in Appendix G, part 1;
 - (iv) the interim capital programme for the next five years and the capital budget of £4.141m for 2014/15 and the plans to use capital grant, capital receipts and revenue contributions to finance that expenditure;
 - (v) the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;
 - (vi) transfer £121,000 from Earmarked Reserves no longer required into the Improvement & Efficiency Reserve;
 - (vii) the transfer of any revenue underspend, currently projected to be £0.349m for 2013/14 to the Capital Programme Reserve; and
 - (viii) the fees and charges set out in Appendix D.
- or 2. approve an increase in Council Tax of 1.94% (Option B) and as a result approve:
 - (i) the budget proposals set out in the Report and the net budget requirement of £38.775m for 2014/15;
 - (ii) the Council Tax requirement of £22.306m;
 - (iii) the Council Tax and precepts as set out in Appendix G, part 2;
 - (iv) the interim capital programme for the next five years and the capital budget of £4.141m for 2014/15 and the plans to use capital grant, capital receipts and revenue contributions to finance that expenditure;
 - (v) the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;

- (vi) the transfer £121,000 from Earmarked Reserves no longer required into the Improvement & Efficiency Reserve;
- (vii) the transfer of any revenue underspend, currently projected to be £0.349m for 2013/14 to the Capital Programme Reserve; and
- (viii) the fees and charges set out in Appendix D.

and 3. authorise the Chief Fire Officer & Chief Executive in consultation with the Chairman and Treasurer to make adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.

MAIN ISSUES

1. An initial report on the draft Revenue Budget 2014/15 and Interim Capital Programme 2014/15 – 2018/19 was considered by Members of the Policy & Resources Panel at their meeting on 16 January 2014. Subsequent to that meeting additional information has been incorporated into the final budget proposals:
 - the final Local Government Finance Settlement
 - Council Tax and Business Rates bases
 - Collection Fund surpluses for Council Tax and Business Rates
 - The Council Tax Referendum Threshold
 - Changes to the financing of capital expenditure
2. The non-operational and Phase 1 operational savings approved by the Authority in December 2013 have been built into the budget proposals for 2014/15 contained in this report and in the revised MTFP for the next five years. Taken together with changes in resource projections this means that the Authority can meet its planned savings targets for 2014/15 and 2015/16. The Authority will be asked to approve proposals to commence public consultation on a second phase of operational savings in a report elsewhere on the agenda at this meeting that have the potential to deliver savings of £1.7m. Further options for changes to operational and non-operational services (Phase 3) that are expected to deliver additional savings will be developed by officers for the Authority to consider over the next 12-18 months. Depending on the decision taken by the Authority on Council Tax for 2014/15, further savings of up to £2.6m would be required from Phases 2 and 3 to meet the £7.1m target by 2018/19
3. The Fire Authority is statutorily required to set its precept for 2014/15 before 1 March 2014 and is asked to do so at this meeting (See Appendix G). The report presents two options to the Authority, either: A) to accept the 2014/15 Council Tax Freeze Grant of £0.252m and to set Council Tax Band D at £81.86 for the fifth year in a row; or B) to increase the Council Tax by 1.94% taking the Band D charge to £83.45 and generating additional income of £0.425m in 2014/15.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
6 February 2014

Duncan Savage
TREASURER

1. **INTRODUCTION**

- 1.1 The report sets out the proposed Revenue Budget for 2014/15, a medium term view of service planning and resourcing as well as the proposed Interim Capital Programme for the Fire Authority for 2014/15 to 2018/19. It also provides detail of progress on the range of operational and non-operational savings considered by the CFA at its December meeting.
- 1.2 This report sets out two scenarios for Members to consider:
 - (i) Option A, accepting the Council Tax Freeze Grant in 2014/15 – this would involve setting a net budget requirement of £38.602m, a Council Tax requirement of £21.881m and freezing Band D Council Tax at £81.86 i.e. 0% increase on 2013/14; or
 - (ii) Option B, increasing Council Tax by 1.94% – this would involve setting a net budget requirement of up to £38.775m, a Council Tax Requirement of £22.306m and increasing Band D Council Tax to £83.45.
- 1.3 The key issue for the Fire Authority for the foreseeable future, and its Medium Term Financial Plan (MTFP), is to deliver its strategic priorities, including its statutory duties, within the context of continued reductions in the level of funding available, as a result of the coalition Government's national deficit reduction strategy.
- 1.4 The Authority reviewed its MTFP in July 2013 and identified the need to make difficult and challenging decisions to deliver savings of up to £7.1m or 18.2% of its current revenue budget over the period 2014/15 to 2018/19 (in addition to £1.3m of savings already agreed for 2014/15). Whilst previous savings programmes had in the main protected operational services, the Authority recognised that a broader review of all its services was necessary given the scale of savings that were now required. Therefore, in December 2013, the Authority approved a range of non-operational savings proposals and Phase 1 of a series of operational savings proposals. These savings have been built into the budget proposals for 2014/15, as contained in this report, and into the revised MTFP for the next five years.
- 1.5 The Authority is being asked elsewhere on the agenda at this meeting to approve proposals to commence public consultation on Phase 2 of the proposed operational savings. Further options for changes to operational and non-operational services (Phase 3) that are expected to deliver additional savings will be developed by officers for the Authority to consider over the next 12-18 months. Based on the latest version of the MTFP, additional savings of up to £2.633m will need to be found through Phases 2 and 3 of the programme of service reviews depending on the Authority's decision on Council Tax for 2014/15.

- 1.6 There remain a number of uncertainties for funding in 2014/15 and beyond and the Fire Authority will need to remain flexible in its planning approach especially in advance of the next Spending Review which is expected to follow the national elections in May 2015. Our current assumptions are based on the most up to date information we have available. The late announcement of key financial information through both the Autumn Statement and the Local Government Finance Settlement (LGFS), along with delays in DCLG finalising the format and requirements for key business rates data continues to hamper effective and timely planning and reporting.

2. **ECONOMIC OUTLOOK**

- 2.1 The UK economy has continued to show positive growth during 2013 with the Office for Budget Responsibility (OBR) revising its forecast for Gross Domestic Product (GDP) growth up from 0.6% to 1.4% and up from 1.8% to 2.4% in 2014. Whilst there are some signs that the recovery may be more broadly based across all major sectors of the economy with strong performances from service, manufacturing and construction sectors, there remain concerns about the impact of weak consumer sentiment and job concerns on the domestic economy. Equally the strength of the recovery remains dependent on US and EU GDP growth which remains weak.
- 2.2 The Bank of England's (the Bank's) projection for GDP indicates a return to sustained growth of between 2-3% per annum over the next three years with reduced uncertainty, especially regarding risks to euro-area activity and a continued easing in domestic credit conditions releasing pent up demand from households and companies. However the Bank also sounds a note of caution with risks from euro-zone indebtedness, balance sheet adjustment in the UK private and public sectors and weak labour market productivity still having the potential to threaten the recovery.
- 2.3 Despite the policy of austerity from the Coalition Government designed to address the deficit position, public sector debt continues to grow to record levels. Even in the light of public sector cuts, the national debt stands at over £1tn and under existing Government spending plans, will continue to grow to £1.5tn by 2017-18.
- 2.4 The return to economic growth has not however heralded a more positive prognosis for public finances with the Government committed to continued deficit reduction policies with little prospect of any change in the downward trajectory for the funding of public services until at least 2020.
- 2.5 The official bank interest rate remains low at 0.5% and is forecast to remain at this level during 2014 and beyond. The Bank's Monetary Policy Committee's new forward guidance strategy indicated that the Bank Rate is likely to remain at its current historic low until 2016 or at least until unemployment reaches 7% and inflation is below 2%.

2.6 Consumer Price Inflation (CPI) fell to 2.2% in October 2013 from 2.9% in June and the Bank expects it to remain around this level in the near term despite larger increases in utility prices than anticipated. The Retail Price Index (RPI) for the same period stood at 3.1%. Underlying wage growth remains weak. Companies' margins still appear squeezed. Medium-term inflation expectations remain consistent with meeting the 2% target.

3. **NATIONAL FUNDING**

3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from three main sources: Council Tax ; Government grants (both revenue support grant and top up grant); and a share of locally retained Business Rates. As a result of the Local Government Resource Review and subsequent legislation there were significant changes to these sources of funding for 2013/14 which aimed to provide more flexibility at a local level in the way money was spent and more control over how it was collected and grown. No major changes to this system are proposed by Government for 2014/15.

3.2 Nationally the trend for later announcements of key finance information for local government has continued. The Chancellor's Autumn Statement was announced on 5 December. The provisional Local Government Finance Settlement (LGFS) was announced on 18 December 2013 and the consultation period closed on 15 January 2014. The final settlement was announced on 5 February 2014 and these updated papers reflect the final settlement. The settlement is due to be debated in Parliament in mid-February and it is recommended that power is delegated to the Chief Fire Officer and Chief Executive in consultation with the Chairman and the Treasurer to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of Council Tax.

3.3 Our budget modelling and the medium term financial plan have been updated to reflect the final LGFS as currently understood for 2014/15 and the illustrative settlement for 2015/16. For 2016/17 and beyond, we have based our assumptions on various models and announcements from Department of Communities and Local Government (DCLG) and information other bodies such as the Local Government Association, and Local Government Futures along with other professional and sector groups. This allows us to take an initial view of the funding position, but it should be noted that the funding position for these latter 3 years of the MTFP will be affected by both the national elections in May 2015 and the extent to which the current economic recovery continues.

3.4 The Chancellor's Autumn Statement set out further reductions in unprotected Resource Departmental Expenditure Limits (RDELs) of £1.1bn in 2014/15 and £1bn in 2015/16 but excluded local government (including the fire service) from these reductions in order to "help local authorities freeze council tax in 2014/15 and 2015/16". The planned increase in business rates for 2014/15 which had been expected to be based on the September Retail Price Index (RPI) inflation figure of 3.2% was capped at 2.0% and a series of other measures aimed at reducing the cost of business rates to small businesses were announced. Government subsequently committed to compensate local authorities for any reduction in business rates income they experienced as a result.

- 3.5 The LGFS confirmed funding figures for 2014/15 and provides illustrative figures for 2015/16. It confirmed that Council Tax Freeze Grant of 1% per annum would be offered for 2014/15 and 2015/16 and would be built into the spending review baseline thereby avoiding a funding cliff edge in 2016/17 for those authorities that accept the freeze grants. The LGFS also confirmed that compensation in relation to the capping of the small business rates multiplier would be paid via a Section 31 grant and set out the indicative amount that each authority would receive.
- 3.6 As part of the 2011 Localism Act, Council Tax capping in England has been abolished and has been replaced by powers for residents to approve or veto excessive Council Tax increases through a local referendum. If the residents vote against the increase, the local authority will have to revert to a Council Tax level that is compliant with the Government's threshold.
- 3.7 The Council Tax Referendum threshold for 2014/15 was announced as 2% on 5 February 2014 and is subject to final confirmation by Parliament.
- 3.8 Any decision to trigger a referendum would incur a significant cost in actually carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling.

4. **MEDIUM TERM FINANCIAL STRATEGY**

- 4.1 The Medium Term Financial Plan (Appendix A) reflects the impact of the final LGFS for 2014/15, the illustrative figures for 2015/16 and the final information on business rates and council tax provided by the billing authorities. For the period from 2016/17 there is less certainty on funding with a national election in May 2015 and uncertainty about economic performance in the medium term. However, it seems likely that the continued downward pressure on funding for public services will continue at least until 2020.
- 4.2 The MTFP reflects our initial modelling of these factors and includes the following key assumptions:
- a 10% reduction in Government funding, including specific grants, each year from 2016/17
 - No assumption of growth in Council Tax base or Business Rates base other than the impact of the annual uprating by the RPI multiplier on the latter
 - Increases of 1.94% in Council Tax each year from 2015/16 onwards
 - Provision for pay increases of 1% in 2015/16 and 1.5% from 2016/17 onwards
 - Provision for price increases of 2.5% each year
 - Delivery of savings in line with agreed plans (including Phase 1 operational savings)

The MTFP now forecasts a net expenditure reduction of 0.8% to 2014/15 (or 1.2% if the Council Tax Freeze Grant is accepted), 4.8% to 2015/16 (or 4.4% if the Council Tax Freeze Grant is accepted), and subsequent increases of 1.6% to 2016/17, 0.3% to 2017/18 and 1.4% to 2018/19. It indicates the shortfall that will be required to be met from further savings to ensure that expenditure matches available grant, business rates income and council tax income. This future savings target will also be dependent on decisions that the Authority takes with regard to Council Tax increases, but in summary, it indicates a requirement to make further savings of up to £2.360m by 2018/19 with Option B, rejecting the freeze grant (£2.633m with Option A).

5. PROJECTED REVENUE POSITION 2013/14

- 5.1 The Authority has a revenue budget of £39.079m for the financial year 2013/14. Based on figures to the end of November 2013 the revenue budget is forecast to underspend by £349,000. The two main areas within this forecast underspend are £222,000 in Corporate Services and a £139,000 in Central budgets. Where forecast underspends in this year's budget are ongoing they have contributed toward the non-operational savings for 2014/15 onwards, see Table 5.
- 5.2 Partly offsetting the underspend in service budgets is the confirmation that the income from the Authority's local share of business rates (based on NNDR1 returns) will be £142,803 less than that originally budgeted for (based on the 2013/14 Settlement).
- 5.3 It is recommended that any revenue underspend is transferred to the Capital Programme Reserve to support the funding of the Authority's capital programme in the light of the cessation of directly allocated capital grant after 2014/15.

6. REVENUE BUDGET 2014/15

6.1 Impact of national funding changes on local position

- 6.1.1 The Revenue Budget Summary for 2014/15 and the MTFP have been updated to reflect the funding announced in the LGFS and the position advised by the billing authorities on Council Tax Base and Business Rates Base. The impact of the LGFS for 2014/15 and 2015/16 (based on the illustrative figures in the LGFS) and a comparison with figures previously modelled and reported to the Fire Authority is set out below in Table 1.
- 6.1.2 In summary, the LGFS has provided additional flexibility against the resources previously modelled of £0.319m in 2014/15 and £0.596m in 2015/16. In the main, this is due to a combination of a better than anticipated level of Revenue Support Grant (£12,000 in 14/15 and £310,000 in 2015/16) and an improved position on income from Business Rates (£307,000 in 2014/15 and £286,000 in 2015/16). Income from Business Rates takes into account the compensation from Government for the 2% cap on the Small Business Rates Multiplier and for a range of other temporary reliefs to businesses set out in the Autumn Statement. This is calculated based on information from the billing authorities and guidance from DCLG and will be paid in the form of a Section 31 grant.

Table 1 - Summary of Local Government Finance Settlement

	2014/15	2015/16
	£'000	£'000
Locally Retained Business Rates	2,272	2,499
Top Up Grant	4,640	4,768
Business Rates Baseline	6,912	7,267
Revenue Support Grant	9,051	7,549
Settlement Funding Assessment	15,963	14,816
Section 31 Grant – Business Rates Adjustment	230	73
Total for comparative purposes	16,193	14,889
As reported to Policy & Resources July 2013	15,874	14,293
Increase/(decrease) in funding	319	596

Assumes rejection of CT Freeze Grant for comparative purposes

- 6.1.3 The Local Council Tax Support (LCTS) Schemes approved by billing authorities for 2013/14 have been successful in protecting income from Council Tax despite the Government reducing funding for the scheme by 10% (although it is difficult to determine the relative extent to which this is due to levels of take up for the scheme, underlying growth in Council Tax Base and the impact of changes to discounts and exemptions). Although the Government is withdrawing LCTS Transitional Grant, (worth £92,000 to the Authority in 2013/14) billing authorities are not intending to make any changes to the existing LCTS Schemes.
- 6.1.4 The Authority's Council Tax Base is calculated as 267,300.78, an increase of 1.18% on 2013/14 (264,175.60). If the Authority were to increase its Council Tax as currently modelled by 1.94% this would provide income of £22.306m compared to £22.045m previously modelled. If the Authority were to accept the 1% Council Tax Freeze Grant then based on the indicative figure of £252,000 set out in the LGFS total income from Council Tax would be £22.133m (£173,000 lower than the 1.94% increase).
- 6.1.5 The billing authorities have confirmed that there will be a surplus of £271,000 on the Council Tax Collection Fund for distribution in 2014/15. There will also be a surplus on the Business Rates Collection fund of £5,000. Members should note that any collection fund surplus is a one off benefit only.
- 6.1.6 The latest resource position is reflected in the Revenue Budget Summary and the MTFP, however, the net movement in resources since the July 2013 report to Members is summarised below in Table 2.

Table 2 - Movement in Resources

	2014/15 Latest position	2014/15 Policy & Resources July 2013	Increase / (Decrease)
	£'000	£'000	£'000
Locally Retained Business Rates	2,272	2,157	115
Business Rates Top up	4,640	4,678	(38)
Business Rates baseline	6,912	6,835	77
Revenue Support Grant	9,051	8,790	261
Settlement funding assessment	15,963	15,625	338
Council Tax Collection Fund Surplus / (Deficit)	271	0	271
Business Rates Collection Fund Surplus / (Deficit)	5	0	5
Council Tax Freeze Grant 2013/14 rolled forward	0	249	(249)
Section 31 Grant - Business Rates Adjustment	230	0	230
Total Funding	16,469	15,874	595
Council Tax Options			
Option A – Accept Freeze Grant			
Council Tax Requirement	21,881	n/a	n/a
Council Tax Freeze Grant	252	n/a	n/a
Sub total	22,133	n/a	n/a
Total Resources – Option A	38,602	n/a	n/a
Option B – 1.94% increase			
Council Tax Requirement	22,306	22,045	261
Total Resources – Option B	38,775	37,919	856

The 2013/14 Council Tax freeze grant is now included within the Revenue Support Grant for 2014/15.

6.2 Overview of current budget proposals

- 6.2.1 The Budget Strategy of the Fire Authority is to support the following policy priorities:
- (i) to fulfil the Fire Authority's statutory duties as a legally separate authority
 - (ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability
 - (iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate
 - (iv) to further develop and implement an Integrated Risk Management approach to our Strategic Plans and services to local communities
 - (v) to identify sufficient savings over the medium term to ensure it has a balanced budget and sustainable medium term finance plan in the light of expected reductions in public sector funding
- 6.2.2 The Authority reviewed its MTFP in July 2013 and identified the need to deliver savings of up to £7.1m or 18.2% of its current revenue budget over the period 2014/15 to 2018/19 (in addition to £1.3m of savings already agreed for 2014/15). Whilst previous savings programmes had in the main protected operational services the Authority recognised that a broader review of all its services was necessary given the scale of savings that were now required. In December 2013 the Authority approved a range of non-operational savings proposals and Phase 1 of a series of operational savings proposals. These savings have been built into the budget proposals for 2014/15 contained in this report and the revised MTFP for the next five years.
- 6.2.3 Elsewhere on this agenda the Authority is asked to approve previously considered proposals for the transformation of Prevention, Protection and Response services, as part of its Integrated Risk Management Planning process, and to commence a period of public consultation on Phase 2 of these operational savings which have the potential to deliver up to a further £1.7m by 2018/19. Further options for changes to operational and non-operational services (Phase 3) that are expected to deliver additional savings will be developed by officers for the Authority to consider over the next 12-18 months. A number of further reviews will take place to build upon Phase 1 operational savings and these reviews will form the basis of an annual IRMP action plan and be reported through the existing IRMP Forum and Policy & Resources Panels during 2014/15.
- 6.2.4 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves & Balances. For 2014/15, the Government is once again offering a Council Tax Freeze Grant to compensate for a loss of council tax income, equivalent to an increase of 1% (using the Council Tax Base unadjusted for the LCTS grant scheme) if accepted by local authorities. Should any local authorities decide to increase council tax and reject the offer of freeze grant, they will only be able to increase council tax by up to 2% before triggering a referendum.

- 6.2.5 The most recent public consultation carried out in 2012/13 concluded that there was a clear indication that consultees understood the medium term benefit of rejecting the Council Tax Freeze Grant and supported the option of an increase in Council Tax below 2%. However, if the Fire Authority still considers it appropriate to accept the Council Tax Freeze Grant (to peg council tax at £81.86 for the fourth year running rather than increase it by up to £1.59 per year for a Band D council taxpayer), then additional savings would need to be made over the period of the MTFP.
- 6.2.6 The 2014/15 Revenue Budget has been prepared against a background of continued reductions in funding for public services as part of the Government's continuing deficit reduction strategy. Both the final settlement for 2014/15 and the illustrative settlement for 2015/16 are better than anticipated and resources from Council Tax and Business Rates are greater than originally modelled. The Authority has also identified and approved savings of £2.023m in 2014/15 (which will grow to £4.420m by 2018/19).
- 6.2.7 Taken together, this means that in the short term there is some additional flexibility which has allowed the Authority to address new pressures such as the impact of the Norman vs Cheshire judgement on pensions costs, provide investment for a scheme to match fund the cost of retrofitting sprinklers in high risk / high rise properties and to set aside additional funding to support the implementation of changes to service delivery (through the Improvement and Efficiency Reserve). The exact amount of this flexibility will depend on the Authority's decision on Council Tax. However, the Authority must take decisions on the 2014/15 budget in the knowledge that significant further savings of up to £2.633m will need to be found in future years. Further details of the proposed revenue budget and capital programme are set out from paragraph 6.4 onwards.

6.3 **Consultation**

- 6.3.1 Extensive public consultation was carried out in 2012/13 as part of the review of the Medium Term Plan and Integrated Risk Management Plan 2013/14 – 2017/18 which included coverage of Council Tax and value for money. The savings proposals approved by the Authority in December 2013 for implementation from 2014/15 did not require formal public consultation and for this reason no additional consultation was carried out this year. Summary outcomes from the independently managed 2012/13 consultation in relation to finance are set out below:
- More than four fifths (83%) of residents agreed that the current council tax charge (£81.86 per year for a Band D property) for the Fire and Rescue Service provides good value for money; 3% disagreed.
 - Two fifths (40%) of residents thought that the Service should accept the Government's freeze grant offer and not increase its Council Tax in 2013/14, knowing that cuts would have to be made in 2015/16 and beyond to compensate for the loss of grant; 60% thought that the Service should not accept the Government's freeze grant offer.
 - But, when asked to consider the longer term impacts on budgets, more than 9 in 10 (92%) residents thought that the Service should reject the Government's offer, and still increase Council Tax so that it helps to fund fire and services in future years when the grant ceases; 8% thought that the Service should not reject the offer.

- Just over two fifths (42%) of residents who are council tax bill payers said that they would support an increase of approximately 81p or less per year per household.
- However, when asked if they would still support a higher increase, almost three fifths (58%) of residents who are council tax bill payers said that they would support an increase of approximately £1.60 or less per year per household.

6.3.2 The Authority's savings proposals have been developed in line with the above outcomes of the 2012/13 public consultation which expressed a preference for savings to be found through changes to crewing arrangements rather than reductions in appliances or fire stations. However, whilst previous savings programmes had in the main protected operational services the Authority recognised that a broader review of all its services was necessary given the scale of savings that were now required. Public consultation will therefore be required on Phase 2 of savings proposals and it is expected that this will be launched after this meeting

6.3.3 Informal consultations with representative bodies including the Fire Brigades' Union, the Fire Officers' Association, the Retained Firefighters' Union and UNISON about the 2014/15 savings proposals have been undertaken through the IRMP Forum and more formal consultations with both representative bodies and staff groups have commenced. Staff and business representative bodies and local authorities were asked to comment on the draft Revenue Budget proposals and responses received are included in full in Appendix I.

6.4 **Basis of Estimates**

6.4.1 2014/15 estimates have been prepared on the following basis:

- provision for pay inflation has been restricted to 1% in 2014/15 in line with the Government's intention to restrict public sector pay set out in the Autumn Statement
- To update other costs to take account of inflation to estimated 2014/15 outturn prices at 2.5% with slightly higher increases of 3% for water and sewerage.
- To include both increases and decreases resulting from the introduction of or removal of commitments flowing from strategic decision making, for example the Information Management Department Strategy and also provision for the one off and on-going pensions costs arising from the Norman v Cheshire judgement and the triennial revaluation of the Local Government Pension Scheme (LGPS)
- The inclusion of £200,000 in 2014/15 for a scheme to match fund the retrofitting of sprinklers
- The contribution of £1.519m (£1.346m if the Council Tax Freeze Grant is accepted) to support the Capital Programme and Improvement and Efficiency reserves
- The inclusion of savings proposals for 2014/15 approved by the Authority in February 2013 and December 2013

6.4.2 The impact of these assumptions on the 2014/15 Revenue Budget is shown below in Table 3. Further detail of savings is shown in table 5 (below) and Appendix C.

Table 3 - Summary of Net Budget Requirement (Option B)

	£000	Change %
Net Budget Requirement 2013/14	39,079	
Pay inflation	238	0.61%
Non pay inflation	226	0.58%
Changes in capital financing	0	0%
Commitments: see Table 4	1,255	3.21%
Savings: see Table 5	(2,023)	(5.18%)
Net Budget Requirement 2014/15	38,775	(0.78%)

Should the Authority accept the Council Tax freeze grant for 2014/15 (Option A) the budget commitments will reduce to £1.082m and the NBR to £38.602m. See Table 4 for more detail.

6.5 Fees and Charges

- 6.5.1 The existing policy is for fees and charges to be reviewed not less than once a year and that increases should take into account the cost of providing the service, including the effects of inflation.
- 6.5.2 Appendix D gives details of increases in fees and charges for Fire & Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect the 1% pay award and the overall high levels of inflation generally, it is proposed to increase fees and charges by 2.5% in 2014/15.
- 6.5.3 The Localism Act introduced by the Government allows FRAs to introduce other fees and charges subject to local consultation and this includes being able to charge for false alarm calls from persistent offenders. CFOA is leading a detailed review of applying those charges on a national basis and details will be brought before the Fire Authority once the direction is known.
- 6.5.4 This will complement work already under way in ESFRS to review false alarms policy and activity as well as quantifying potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged. In 2012/13, the fees and charges listed in Appendix D amounted to £28,700, of which £26,000 related to dry riser testing. A similar pattern is emerging for 2013/14.
- 6.5.5 There were 2,500 operational related special service incidents not charged for in 2012/13 that included road traffic collision incidents (RTCs), animal rescues, lift rescues, effecting entry/exit, dangerous structures, flooding and release of trapped people. It should be noted that the Fire Authority had previously determined not to charge for animal rescue and effecting entry (lock-out).
- 6.5.6 The Fire Authority will be kept informed of progress with a report detailing recommendations for changes expected early in the 2014/15 financial year.

6.6 Main Variations

- 6.6.1 The changes in commitments leading to increased or decreased provision are shown in Table 4 below:

Table 4 - Budget Commitments (Option B)

Commitments	£'000
Increase in firefighter pension costs based on Pension Fund return	12
Adjustment to Ill Health Retirement budget one additional person	20
Rural Review – Day Crew Allowance	49
Absorption of one engineering apprentice into established post held vacant	26
Existing IMD Strategy net change	187
Reduction in interest earned	55
Reduction in one-off contribution to reserves in 2013/14	(447)
Contribution to Improvement & Efficiency Reserve	519
Increase in pension contribution (LGPS) to reflect triennial valuation	21
Norman v. Cheshire previous years employers contributions (14/15 only)	540
Norman v. Cheshire employers contribution	95
Adjustment to FireLink Grant in line with December 2013 Settlement.	(18)
Adjustment to New Dimensions Grant in line with December 2013 Settlement.	(4)
Match funding for scheme to retrofit sprinklers in existing high risk/high rise residential properties (14/15 only).	200
TOTAL	1,255

Should the Authority accept the Council Tax Freeze Grant for 2014/15 (Option A) the contribution to the Improvement & Efficiency Reserve will reduce to £346,000 and the total commitments to £1,082,000.

6.7 Savings Plan

- 6.7.1 In order to set a balanced Revenue Budget for 2014/15 and meet the broader challenge of identifying. Whilst previous savings through the Service Prioritisation and Facing the Challenge programmes have, in the main, protected operational services, the scale of the savings required to 2018/19 (£8.4m including the £1.3m already agreed in February 2013), means that the Authority has had to review all aspects of its functions including Prevention, Protection and Response through its IRMP arrangements. The financial situation means that difficult decisions will need to be made – there is no choice but to change the way in which the Authority delivers its services.
- 6.7.2 In December 2013 the Authority agreed a series of non-operational savings and Phase 1 of its operational savings proposals. These are shown in detail in Appendix C and summarised in table 5 below, along with savings previously agreed in February 2013. Together these will deliver savings of £2.023m in 2014/15 which will grow to £4.420m by 2018/19. The revised MTFP indicates that further savings of up to £2.633m will be required by 2018/19 (depending on decisions on Council Tax). The Authority also is to consider plans to consult on Phase 2 savings proposals at this meeting and a series of reviews of operational and non-operational services (Phase 3) to develop further savings proposals is planned for 2014/15.

6.7.3 The Authority has previously agreed to the savings from the establishment of the Sussex Control Centre, a single mobilising and control centre for fire & rescue in Sussex in collaboration with West Sussex Fire & Rescue. The annual savings from the Project remain at £0.475m however the savings are now expected to be £0.316m in 2014/15 due to a delay in implementation.

6.7.4 All these savings are summarised in the Table 5 below and have now been included in the Revenue Budget. A full listing is included in Appendix C.

Table 5 – Summary of Savings built into 2014/15 Revenue Budget

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Facing the Challenge savings	(419)	(419)	(494)	(567)	(567)
Sussex Control Centre savings	(316)	(475)	(475)	(475)	(475)
Other savings	(339)	(339)	(339)	(339)	(339)
Total savings agreed Feb 2013	(1,074)	(1,233)	(1,308)	(1,381)	(1,381)
Phase 1 savings	(219)	(1,094)	(1,209)	(1,209)	(1,209)
Non-Operational savings	(730)	(791)	(1,281)	(1,657)	(1,830)
Total savings	(2,023)	(3,118)	(3,798)	(4,247)	(4,420)

6.8 Revenue Budget Summary

6.8.1 Table 6 below summarises the two Options presented for the 2014/15 Original Estimate compared with that for 2012/13.

Table 6 - Revenue Budget

	2013/14	2014/15	2014/15
	Original Estimate	Option A Estimate	Option B Estimate
	£'000	£'000	£'000
Net budget requirement	39,079	38,602	38,775
Sources of funding	39,079	38,602	38,775
Additional savings required	0	0	0

6.8.2 Table 6 above presents the Revenue Budget decreasing by 1.2% should Members choose to accept the Council Tax Freeze Grant of 1% for 2014/15 (option A). Option B shows the position should Members choose to set a Council Tax increase of 1.94% as previously modelled as the referendum threshold is confirmed as being 2%. Under Option B this would provide up to an additional £0.173m of funding to support the budget.

7. CAPITAL PROGRAMME

7.1 Capital Programme 2014/15 to 2018/19 (base year 2013/14)

The Capital Programme and the Interim Medium Term Capital Strategy have been developed to ensure that the Authority meets the statutory duties imposed by the Fire and Rescue Services Act 2004 and other relevant Acts, and maintains its current level of service provision to the community of East Sussex and the City of Brighton & Hove over the longer term.

7.1.2 This latest Strategy details the desirable Capital Programme for the Authority from 2014/15 to 2018/19 with a base year of 2013/14. The primary constituents of the Strategy are:

- Construction, replacement and improvement of the Authority's property assets
- Appliance and other fleet replacement requirements
- Other capital investment needs (e.g. major ICT infrastructure)

7.1.3 The Medium Term Capital Strategy has been prepared on an interim basis as it will need to be adapted to incorporate the outcomes of the IRMP Review of Prevention, Protection and Response and the requirements for capital investment that may flow from Phase 2 and 3 savings proposals. The outcomes from Phase 2 should be known in autumn 2014 following the completion of public consultation and it is anticipated that these will be considered as part of a fuller review of the Capital Strategy and Programme later in 2014.

7.1.4 The key strategic issue to note in relation to the 2014/15 Capital Programme is a continued scaling down of capital schemes over the medium term to those that are essential for business continuity purposes. Within this, however, the Programme continues to include investment in key assets for example the partnership project for a new Fire Station and office accommodation at Newhaven (£3.070m) and the refurbishment of Preston Circus (£1.500m).

7.1.5 Details of the Medium Term Capital Asset Strategy over the 5 year period are shown in Appendix E and summarised in the following Table:

TABLE 7 - Revenue Impact of Capital Programme 2014/15 to 2018/19

	Total resource	2014/15	2015/16	2016/17	2017/18	2018/19
Fleet	4,082	510	688	1,155	819	910
Property	7,174	3,241	1,452	1,363	336	782
IMD	390	390	0	0	0	0
Total Gross Cost	11,646	4,141	2,140	2,518	1,155	1,692
Revenue implication	4,729	959	955	945	943	927
Previously forecast revenue implication	4,768	963	958	947	950	950
Total Revenue Cost (Saving)	(39)	(4)	(3)	(2)	(7)	(23)

7.2 Capital Grant

7.2.1 The Fire Capital Grant bidding outcome was announced in January 2013 and while the Authority's bid was not approved it nevertheless benefitted from a formula allocation of £0.931m for 2013/14 and for 2014/15 which has been included in this Strategy.

7.2.2 In July 2013, the Director for Fire, Resilience and Emergencies announced a £45 million Fire Efficiency Incentive Fund for fire and rescue authorities in England and Wales for 2015/16, to invest capital in ensuring that assets such as fire stations are appropriately located to ensure efficient and effective service delivery and to encourage greater collaboration between emergency services. DCLG has been clear that the capital grant will be accessed on a 'bid for' basis and there will be no allocation to each authority.

7.2.3 As a consequence, consideration is being given to developing one or more collaborative bids from this Fund. The strategy will subsequently be revised to take account of any successful bid.

7.3 **Capital Programme Schedule and Funding**

7.3.1 There are a number of funding sources for the Capital Programme and the expected levels of resources available together with how they will be applied, in accordance with the Funding Strategy, are detailed in the Table below:

TABLE 8 - Estimated Capital Resources and Borrowing 2014/15 to 2018/19

Project	Estimated Capital Resources							
	Total cost £'000	To 31/3/2013 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
FORECAST CAPITAL INCOME								
Sussex Control Grant	2,027	234	1,403	390	0	0	0	0
DCLG bid funding	0		0	0	0	0	0	0
Capital Grants	3,065	1,203	931	931	0	0	0	0
Capital Receipts	5,555	0	937	444	3,774	400	0	0
Contribution to Capital Programme Reserve	6,416	1,666	1,000	1,000	1,000	750	500	500
Total forecasted capital income	17,063	3,103	4,271	2,765	4,774	1,150	500	500
APPLICATION OF CAPITAL RESOURCES								
Capital grants	5,092	1,437	2,334	1,321	0	0	0	0
Contribution from Capital Receipt Reserve	7,257	0	0	2,374	1,845	2,079	916	43
Contribution from revenue to Capital Programme Reserve	2,318	0	1,100	0	0	0	0	1,218
Direct revenue funding	630	630	0	0	0	0	0	0
Total funding sources	15,297	2,067	3,434	3,695	1,845	2,079	916	1,261
Borrowing	3,357	518	989	446	295	439	239	431
Total all funding	18,654	2,585	4,423	4,141	2,140	2,518	1,155	1,692

- 7.3.2 Capital investment is funded in the following order: capital grants received, capital receipts, contribution from Capital Programme Reserve and finally borrowing. In the above table Capital Receipts of £7.257m are used to fund the Strategy. This is made up of an opening balance of £1.702m, an estimate of receipts generated during the Strategy period of £5.555m leaving a balance of nil at the end of the Strategy period. There is a contribution of £2.318m from the Capital Programme Reserve used to fund the Strategy. This is made up of an opening balance of £1.152m, revenue contributions to the Reserve of £6.416m during the period of the Strategy which leaves a balance in the Reserve of £5.250m at the end of the Strategy period for future investment requirements including those resulting from Phases 2 and 3 of the savings programme.
- 7.3.3 The Authority's Treasury Strategy is to utilise internal cash balances to fund "internal borrowing". This allows compliance with the Capital Regulations and takes advantage of current cash surplus that would otherwise be returning poor yield on its investment. The continuation of this policy will be considered as part of the on-going review of the Treasury Management Strategy during the year.

8. **RESERVES & BALANCES**

- 8.1 Reserves are an essential part of good financial management. They help authorities cope with unpredictable financial pressures and plan for their future spending commitments.
- 8.2 The Authority's Reserves Policy is set out in Appendix F states that in considering the general level of reserves the Treasurer will have regard to:
- the strategic legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;
 - the overall effectiveness of governance arrangements and the system of internal control;
 - the robustness of the financial planning and budget-setting process;
 - the effectiveness of the budget monitoring and management process
- 8.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The annual review of the robustness of reserves and balances is set out in Appendix F and summarised in Table 9 below.

TABLE 9 – Summary of Reserves and Balances					
	31/03/2013 Balance	2013/14 Movements	31/03/2014 Projected Balance	2014/15 Movements	31/03/2015 Projected Balance
	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	2,818	(100)	2,718	1,000	3,718
Other Earmarked Reserves	3,446	(57)	3,389	(15)	3,374
Total Earmarked Reserves	6,264	(157)	6,107	985	7,092
General Reserve	3,552	200	3,752	0	3,752
Capital Receipts Reserve	1,702	937	2,639	(1,930)	709
Total Useable Reserves	11,518	980	12,498	(945)	11,553

9. CHIEF FINANCE OFFICER STATEMENT

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

10. EQUALITY IMPACT ASSESSMENT

10.1 Following the introduction of the Equality Act 2010 the Authority, must in the exercise of its functions, including the setting of its Revenue Budget and the taking of decisions on savings proposals, have due regard to its duties under the Act and in relation to certain protected characteristics. This means that Members must understand the consequences of the decisions they take for those with the relevant protected characteristics and consider these proportionately alongside other relevant factors. The savings which are included with the 2014/15 Revenue Budget and the MTFP (non-operational and Phase 1 operational) were approved by the Authority at its meeting in December 2013. Equality Impact Assessments were prepared at the time and are available from the Clerks should Members wish to review them prior to approving the Revenue Budget. Equality Impact Assessments for Phases 2 and 3 of the savings proposals are being developed and are included elsewhere on this agenda.

Appendix A (i)

MEDIUM TERM FINANCIAL PLAN 2014/15 – 2018/19
OPTION A - ACCEPT COUNCIL TAX FREEZE GRANT IN 2014/15 AND INCREASE
COUNCIL TAX BY 1.94% PA THEREAFTER

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	40,187	38,777	39,636	42,553	40,599
Less					
Specific grants	(210)	(214)	(193)	(174)	(156)
Other income	(1,430)	(1,367)	(1,401)	(1,436)	(1,474)
Total income	(1,640)	(1,581)	(1,594)	(1,610)	(1,630)
Net Service Budget	38,547	37,196	38,042	40,943	38,969
Less capital charges credit	(2,198)	(2,198)	(2,198)	(2,198)	(2,198)
Interest receivable less capital financing	907	903	893	(1,630)	875
Transferred to Balances	1,346	1,000	750	500	500
Total Net Expenditure	38,602	36,901	37,487	37,615	38,146

Net Budget brought forward	39,079	38,602	36,901	37,487	37,615
Unavoidable cost pressures					
Pay inflation	238	242	470	489	494
Price inflation	226	202	204	204	207
Total inflation	464	444	674	693	701
Changes in Capital Financing	0	(4)	(10)	(2)	(16)
Budget commitments	1,082	(1,046)	602	(114)	19
Savings approved (including CFA Feb 2013)	(2,023)	(1,095)	(680)	(449)	(173)
Total Net Expenditure	38,602	36,901	37,487	37,615	38,146

Appendix A (i) cont.

Sources of Funding revised	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,272	2,499	2,571	2,646	2,723
Business Rate Top Up	4,640	4,768	4,907	5,049	5,195
Business Rates Baseline	6,912	7,267	7,478	7,695	7,918
Revenue Support Grant	9,051	7,798	6,403	5,130	3,966
Start Up Funding Assessment	15,963	15,065	13,881	12,825	11,884
Localisation of Council Tax Support Grant - Transitional Grant					
Section 31 Grant Business Rates adjustment	230	73			
2014/15 Council Tax Freeze Grant	252				
Council Tax Collection Fund Surplus	271				
Business Rates Collection Fund Surplus	5				
Council Tax Requirement	21,881	22,306	22,739	23,180	23,629
Total Resources Available	38,602	37,444	36,620	36,005	35,513
Additional Savings Required	0	(543)	867	1,610	2,633

Appendix A (ii)

MEDIUM TERM FINANCIAL PLAN 2014/15 - 2018/19

**OPTION B - REJECT FREEZE GRANT AND INCREASE COUNCIL TAX BY 1.94%
EACH YEAR**

	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	40,187	38,777	39,636	42,553	40,599
Less					
Specific grants	(210)	(214)	(193)	(174)	(156)
Other income	(1,430)	(1,367)	(1,401)	(1,436)	(1,474)
Total income	(1,640)	(1,581)	(1,594)	(1,610)	(1,630)
Net Service Budget	38,547	37,196	38,042	40,943	38,969
Less capital charges credit	(2,198)	(2,198)	(2,198)	(2,198)	(2,198)
Interest receivable less capital financing	907	903	893	(1,630)	875
Transferred to Balances	1,519	1,000	750	500	500
Total Net Expenditure	38,775	36,901	37,487	37,615	38,146

Net Budget brought forward	39,079	38,775	36,901	37,487	37,615
Unavoidable cost pressures					
Pay inflation	238	242	470	489	494
Price inflation	226	202	204	204	207
Total inflation	464	444	674	693	701
Changes in Capital Financing	0	(4)	(10)	(2)	(16)
Budget commitments	1,255	(1,219)	602	(114)	19
Savings approved (including CFA Feb 2013)	(2,023)	(1,095)	(680)	(449)	(173)
Total Net Expenditure	38,775	36,901	37,487	37,615	38,146

Appendix A (ii) cont.

Sources of Funding	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,272	2,499	2,571	2,646	2,723
Business Rate Top Up	4,640	4,768	4,907	5,049	5,195
Business Rates Baseline	6,912	7,267	7,478	7,695	7,918
Revenue Support Grant	9,051	7,547	6,177	4,926	3,782
Start Up Funding Assessment	15,963	14,814	13,655	12,621	11,700
Localisation of Council Tax Support Grant - Transitional Grant					
Section 31 Grant Business Rates adjustment	230	73			
2014/15 Council Tax Freeze Grant					
Council Tax Collection Fund Surplus	271				
Business Rates Collection Fund Surplus	5				
Council Tax Requirement	22,306	22,739	23,180	23,629	24,086
Total Resources Available	38,775	37,626	36,835	36,250	35,786
Additional Savings Required	0	(725)	652	1,365	2,360

Appendix B

REVENUE BUDGET SUMMARY

	2013/14 Original Estimate £'000	2014/15 Original Estimate Option A £'000	2014/15 Original Estimate Option B £'000
Operational Budget			
Employees	25,150	25,375	25,375
Fire Service Pensions	3,018	3,633	3,633
Premises	2,256	2,078	2,078
Transport	1,159	1,056	1,056
Supplies and Services	5,303	5,315	5,315
Support Services	525	532	532
Capital Charges	2,521	2,198	2,198
Gross Expenditure	39,932	40,187	40,187
Less Income	(831)	(1,640)	(1,640)
Total Operational Budget	39,101	38,547	38,547
Financial Provisions			
Capital Charges credit	(2,521)	(2,198)	(2,198)
Interest receivable less capital financing	852	907	907
Capital Expenditure charged to Revenue			
Total Net Expenditure	37,432	37,256	37,256
Movement in balances	1,647	1,346	1,519
Net Budget Requirement	39,079	38,602	38,775
Contributions and Precepts			
Revenue Support Grant	(10,195)	(9,051)	(9,051)
Business Rates Retention	(6,782)	(6,912)	(6,912)
Returned Top Slices			
Total	(16,977)	(15,963)	(15,963)
Council Tax Freeze Grant	(249)	(252)	0
Section 31 Grant Business Rates adjustment		(230)	(230)
Council Tax Support Grant Transitional	(92)	0	0
Collection Fund Surplus/(Deficit)	(136)	(276)	(276)
Council Tax Requirement	(21,625)	(21,881)	(22,306)
Total Council Tax Income	(22,102)	(22,639)	(22,812)
Total Funding	(39,079)	(38,602)	(38,775)

**Appendix C
SAVINGS**

Ref.	Service	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000
	Facing the Challenge Savings (Approved CFA Feb 2013)					
	GIS Data Controller post	(36)	(36)	(36)	(36)	(36)
	Reduction L & D external training budget	(40)	(40)	(40)	(40)	(40)
	DFS post (net)	(50)	(50)	(50)	(50)	(50)
	Project Officer post following RCC cutover (Grade 7)	(35)	(35)	(35)	(35)	(35)
	Visual Imaging Technician	(34)	(34)	(34)	(34)	(34)
	Graphics Designer	(36)	(36)	(36)	(36)	(36)
	Fifth floor admin support	(16)	(16)	(16)	(16)	(16)
	Insurance Portfolio	(30)	(30)	(30)	(30)	(30)
	ICS Review	(68)	(68)	(143)	(216)	(216)
	Removal of Aerial Ladder Platform and pumping appliances from Eastbourne Fire Station and replace with a Combined Aerial Rescue Platform	(74)	(74)	(74)	(74)	(74)
	Total Facing the Challenge Savings	(419)	(419)	(494)	(567)	(567)
	Sussex Control Centre savings (Approved CFA Feb 2013)	(316)	(475)	(475)	(475)	(475)
	Other savings (Approved CFA Feb 2013)					
	Reduction in Transitional Costs provision not taken in 2013/14	(174)	(174)	(174)	(174)	(174)
	Relocation Expenses additional savings not taken in 2013/14	(20)	(20)	(20)	(20)	(20)
	Hydrants additional savings not taken in 2013/14	(15)	(15)	(15)	(15)	(15)
	Uniform additional savings not taken in 2013/14	(30)	(30)	(30)	(30)	(30)
	Insurance additional savings not taken 2013/14	(50)	(50)	(50)	(50)	(50)
	Fuel additional savings not taken in 2013/14	(50)	(50)	(50)	(50)	(50)
	Total Other Savings	(339)	(339)	(339)	(339)	(339)

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000
Phase 1 Savings (Approved CFA Dec 2013 re-ordered)							
1	Protection	The Fire Authority have endorsed five key prevention activities for the Authority for the term of the MTFP, namely: Home Safety, leading on Road Safety Co-ordination, Schools Education, and Intervention and Incident Reduction, and the promotion of sprinklers in domestic and commercial properties introducing a scheme in 2014/15 to match-fund, with our partners in local authorities and housing associations, the retrofitting of sprinklers in existing high risk/high rise residential properties.					
			* See Commitments Table 4 Main Report				
2	Prevention	To review the number of Home Safety Visits carried out annually, targeting the most vulnerable in our community and, as a result of the reduction in incidents, a greater proportion to be undertaken by operational personnel. This will enable a reduction in the number of Community Safety Advisors (CSAs) by four through redeployment and/or natural turnover, starting in 2014/15, and the enhancement of their role for specific and discrete community safety work through central management.	(57)	(114)	(114)	(114)	(114)
3	Response	Consult on the introduction of Locality Managers in Hastings and Brighton. This will reduce the number of Watch Managers by 8 with the remaining Locality Managers increasing their salary as a result by becoming Watch Manager B	(162)	(324)	(324)	(324)	(324)
4	Prevention	Removal of the Arson and Incident Reduction Manager. This will reduce the establishment by one Station Manager A	0	(50)	(50)	(50)	(50)

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000
5	Protection	It is proposed that the existing 6 borough fire safety offices are combined to form 2 larger Business Safety offices. These will be the City and Lewes and Rother, Hastings, Wealden and Eastbourne and will be centrally co-ordinated and managed through a service level agreement with Borough Commanders. This will reduce the establishment by 4 flexible duty officers at Station Manager A (FDS).	0	(38)	(153)	(153)	(153)
6	Response	It is proposed to amend the current two-watch duty system on day crewed duty system fire stations to a one-watch system across a seven day week. This could reduce the operational establishment by 15, or by 13, dependent upon decisions on the system and those being considered by the Fire Authority relating to Phase 2, and Phase 3	0	(568)	(568)	(568)	(568)
Total Phase 1 Savings			(219)	(1,094)	(1,209)	(1,209)	(1,209)

Non Operational Savings (Approved CFA Dec 2013)							
11	Non operational	Cleaning – review of current specification	(50)	(53)	(53)	(53)	(53)
12	Non operational	Security – anticipated saving through contract re-procurement	(8)	(8)	(8)	(8)	(8)
13	Non operational	Electricity Consumption Savings (premises wide) – as a result of Solar PV installation	(3)	(7)	(10)	(10)	(10)
14	Non operational	FireLink Contract – review of budget against actual costs	(86)	(86)	(86)	(86)	(86)
15	Non operational	Increase in income from mast rentals	(10)	(10)	(10)	(10)	(10)
16	Non operational	Fuel – based on reducing trends in fleet mileage	(20)	(20)	(20)	(20)	(20)

Ref.	Service	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000
17	Non operational Operational Equipment (Breathing Apparatus) – reduction in provision for ad hoc replacement - to be managed within equipment replacement budget	(33)	(33)	(33)	(33)	(33)
18	Non operational Various reductions in Health and Safety budget to reflect changes in working practices	(1)	(5)	(10)	(14)	(18)
19	Non operational Advertising budget – reflects lower level of recruitment advertising	(32)	(32)	(32)	(32)	(32)
20	Non operational Interview Expenses – reflects lower level of actual spend	(5)	(5)	(5)	(5)	(5)
21	Non operational HR Restructuring completed 2013/14	(8)	(8)	(8)	(8)	(8)
22	Non operational Reduction in Skills Refresher courses as a result of overall reduction in operational posts	0	(3)	(7)	(7)	(7)
23	Non operational Reduce L&OD course administration team by 1 fte as part of team relocation to STC.	(24)	(24)	(24)	(24)	(24)
24	Non operational Establish a visiting instructor rate of pay to replace over-time payments	(25)	(30)	(30)	(30)	(30)
25	Non operational Incorporate ASK refresher training into 4 day operational skills refresher course	0	0	(50)	(50)	(50)
26	Non operational Closer collaboration through to joint training function with WSFRS being accepted and implemented by both FRS	0	(51)	(102)	(102)	(102)
27	Non operational Reduce budget allocation for Information Management, Health & Safety, Technical Fire Safety and Human Resources training – reflects patterns of actual spend and better prioritisation of training bids	(78)	(78)	(78)	(78)	(78)

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000
28	Non operational	Development budget - Reflects reduction in operational posts and Incident Command review. Budget currently due to spend 60% of allocation in current year. Proposal to make a significant cut for two years whilst downsizing in place then increase slightly to reflect the need to develop staff who achieve promotion in years three, four and five of plan.	(60)	(60)	(45)	(30)	(30)
29	Non operational	External audit – reduction in fees following Audit Commission outsourcing	(15)	(15)	(15)	(15)	(15)
30	Non operational	Car allowances/Travel – reflects reduction in spend	(2)	(2)	(2)	(2)	(2)
31	Non operational	Uniform – based on proposals to reduce operational posts	0	0	0	0	(44)
32	Non operational	Car Allowances	(4)	(4)	(4)	(4)	(4)
33	Non operational	External Printing and Copying – reflects impact of on line Council Tax leaflets	(6)	(21)	(21)	(21)	(21)
34	Non operational	Advert & Publicity (Cost of Democracy) – reflects reductions in spend	(21)	(21)	(21)	(21)	(21)
35	Non operational	Members Allowances – reflects cessation of Standards Panel / Independent Members	(15)	(15)	(15)	(15)	(15)
36	Non operational	Contribution to Reserves - General balances are currently above the minimum level set out in Reserves and Balances Policy. This saving will reduce the Authority's ability to respond to additional risks / calls on balances in future years.	(200)	(200)	(200)	(200)	(200)
37	Non operational	Contribution to Capital Programme Reserves - This will reduce the revenue funding available to support the capital programme over the medium term which will mean the programme will need to be reduced in scale and any major new schemes will either need to be self-financing or funded by grant.	0	0	(250)	(500)	(500)

Ref.	Service		2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000
38	Non operational	Reduce provision for pay increases from 2% to 1.5% from 2016/17 - Risk that actual pay increases exceed provision necessitating further savings across the service. However given medium term outlook on public finances it is likely that public sector pay restraint will need to continue beyond 2015/16 on affordability grounds	0	0	(118)	(241)	(366)
39	Non operational	Various reductions in corporate budgets to reflect reduced actual spend	(24)	0	(24)	(38)	(38)
		Total Non-Operational Savings	(730)	(791)	(1,281)	(1,657)	(1,830)

Appendix D

FEES AND CHARGES

WITH EFFECT FROM 1 APRIL 2014

	Fee	Existing Fees	New Fees
		2013/14 £	2014/15 £
1	The hiring of a major pumping appliance with crew per hour	265	272
2	The hiring of other pumping vehicles with crew per hour	212	218
3	The hire of hydraulic platforms or turntable ladders with crew per hour	285	293
4	Dry Riser: Subsequent test at the owner's request		
	First Dry Riser	196	201
	Additional Dry Risers	127	131
5	Interviews: * Insurance Co Etc.	127	131
	After two hours	82	85
6	Copy of Petroleum Licences *	30	31
7	Copy plans *	35	36
8	Standby at Venue	265	272
9	Fire Investigation Report	284	292
10	Chemical Protection Suit	147	151
11	Inspection of Plans for Marriage Act 1994 *	108	111
12	Environmental search fees	103	106

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

**Appendix E
Capital Programme**

Table 1 Schemes Starting in 2014/15	Total Gross Capital Cost
	£,000
<u>Engineering Services</u>	
Replacement of 1 appliance	240
Replacement of ancillary vehicles	14
Replacement cars and vans	211
	465
<u>Property Strategy</u>	
General strategy schemes	115
	115
<u>TOTAL SCHEMES PROPOSED TO START IN 2014/15</u>	580

Table 2 Schemes Starting in 2015/16	Total Gross Capital Cost
	£,000
<u>Engineering Services</u>	
Replacement of 2 appliances	480
Replacement of ancillary vehicles	27
Replacement of cars and vans	181
	688
<u>Property Strategy</u>	
General strategy schemes	487
Preston Circus Fire Station (rebuild cost for ESFRS)	1,500
	1,987
<u>TOTAL SCHEMES PROPOSED TO START IN 2015/16</u>	2,675

Table 3 Schemes Starting in 2016/17	Total Gross Capital Cost
	£,000
<u>Engineering Services</u>	
Replacement of 2 appliances	480
Replacement of ancillary vehicles	482
Replacement of cars and vans	193
	1,155
<u>Property Strategy</u>	
General strategy schemes	433
	433
<u>TOTAL SCHEMES PROPOSED TO START IN 2016/17</u>	1,588

Table 4 Schemes Starting in 2017/18	Total Gross Capital Cost
	£,000
<u>Engineering Services</u>	
Replacement of 2 appliances	480
Replacement of ancillary vehicles	140
Replacement of cars and vans	199
	819
<u>Property Strategy</u>	
General strategy schemes	336
	336
<u>TOTAL SCHEMES PROPOSED TO START IN 2017/18</u>	1,155

Table 5 Schemes Starting in 2018/19	Total Gross Capital Cost
	£,000
<u>Engineering Services</u>	
Replacement of 2 appliances	480
Replacement of ancillary vehicles	210
Replacement of cars and vans	220
	910
<u>Property Strategy</u>	
General strategy schemes	782
	782
<u>TOTAL SCHEMES PROPOSED TO START IN 2018/19</u>	1,692

CAPITAL PROGRAMME ESTIMATED PAYMENTS 2012/13 TO 2018/19								
Project	Estimated Capital Payments							
	Total cost	To end 2013	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Completed schemes	1,273	1,273						
Schemes in Progress 1 April 2013								
Combined Aerial Rescue Pump	709	554	155	0				
Crowborough Refurbishment	1,005	393	596	16				
BA Classroom Maresfield	220	16	204	0				
IMD Strategy Sussex Control Centre	2,027	234	1,403	390				
Property Strategy: Roedean Drill Tower	16	16	0	0				
Property Strategy: Replacement Fuel Tanks	190	0	0	75	75	40		
Property Strategy: Roedean Roof	30	0	30	0				
Property Strategy: Sustainability Initiative	420	0	0	140	140	140		
Window Replacement Eastbourne	2	0	2	0				
Sussex Control Centre – Property adaptations	1,100	0	1,100	0				
Heathfield	102	99	3	0				
	5,821	1,312	3,493	621	215	180	0	0
Scheme Starts 2013/14								
Replacement Fire Appliances	440		440	0				
Replacement Cars & Vans	210		165	45				
BA Compressors	100		100	0				
New Breathing Apparatus POD	0		0	0				
Property Strategy:	0		0	0				

CAPITAL PROGRAMME ESTIMATED PAYMENTS 2012/13 TO 2018/19

Project	Estimated Capital Payments							
	Total cost	To end 2013	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Bohemia Road								
Property Strategy: Preston Circus	10		10	0				
Property Strategy: STC	40		40	0				
Newhaven Fire Station	3,070		175	2,895				
	3,870	0	930	2,940	0	0	0	0
Scheme Starts 2014/15 (Table 1)								
Fleet Requirements	465			465				
Property Strategy	115			115				
	580		0	580	0	0	0	0
Scheme Starts 2015/16 (Table 2)								
Fleet Requirements	688				688			
Property Strategy	487				487			
Preston Circus Fire Station - ESFRS rebuild cost	1,500				750	750		
	2,675				1,925	750	0	0
Scheme Starts 2016/17 (Table 3)								
Fleet Requirements	1,155					1,155		
Property Strategy	433					433		
	1,588					1,588	0	0
Scheme Starts 2017/18 (Table 4)								
Fleet Requirements	819						819	
Property Strategy	336						336	
	1,155						1,155	0
Scheme Starts 2018/19 (Table 5)								
Fleet Requirements	910							910

CAPITAL PROGRAMME ESTIMATED PAYMENTS 2012/13 TO 2018/19								
Project	Estimated Capital Payments							
	Total cost	To end 2013	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Property Strategy	782							782
	1,692							1,692
TOTAL GROSS COST	18,654	2,585	4,423	4,141	2,140	2,518	1,155	1,692
Less Identified Funding	18,654	2,585	4,423	4,141	2,140	2,518	1,155	1,692

Appendix F Reserves and Balances Policy

Background

This policy sets out the Authority's approach to reserves and balances. The policy has regard to LAAP Bulletin 77 'Local Authority Reserves and Balances', issued in November 2008.

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

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

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

Types of reserve

The Authority will maintain the following reserves:

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

Earmarked reserves will be maintained as follows:

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

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

Principles to assess the adequacy of reserves

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

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

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

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

Service reserves

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

Use of reserves

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

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

Risk assessment to determine the adequacy of the General Reserve

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

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

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

A full review of reserves, as in the past, has taken place as part of the budget setting process. A financial risk matrix is used and maintained to further assist in identifying the level of General Reserves required. This matrix is progressively reviewed and includes provisions for a wide variety of potential corporate risks including:

- **Operational incident performance failure:** Non-insured costs of HSE and other investigations following a serious incident with serious implications for ESFRS, project team, ancillary costs and putting right the organisation (£1m).
- **Abnormal weather conditions:** A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs. A prolonged seasonal problem could easily generate additional costs of £200,000 in retained pay, overtime and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support qualifying expenditure in excess of 2% of Revenue Budget (£0.8m).
- **Pensions costs:** Review adequacy of pension provision as part of the revenue budget process – this provision relates to additional ill health pensions not predicted at budget preparation. Continue to monitor age profile of workforce and expenditure forecasting. In addition there is a lack of clarity on the impact of the new firefighters pension scheme to be introduced in 2015 and a risk that employer's contributions could increase in the short term (£0.6m).
- **Staff severance and redundancy provisions:** In order to achieve the level of strategic financial savings required in future years, it may be appropriate to agree additional business case savings in advance and, as a consequence, incur additional severance payments paid to staff that exceed the sums already put by in earmarked reserves (£0.25m).
- **Funding volatility resulting from Local Government Resources Review:** as a result of the Local Government Resource Review, including the Localisation of Authority Tax Support Grant the Authority is exposed to potential increased volatility in two key income streams, business rates and Authority Tax (the latter both through the tax base itself and the likelihood of a deficit on the Collection Fund) (£0.75m)
- **Unanticipated business or economic pressures:** The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier. Equally the Authority has a number of key ICT systems which were they to fail could require urgent external support or replacement equipment at short notice which could be costly for the Authority (£1m).
- **Inflationary increases:** provision has been made for anticipated increases in pay and prices within the budget. However, national pay restraint is based on an average of 1% and so actual increases within different services may vary. The Authority is also global inflationary pressures particularly in relation to oil based and other natural resources (£0.2m)
- **Legal and employment issues:** as a service provider and an employer the Authority faces the potential that legal action could be taken against it on a range of grounds, including equal pay, discrimination, unfair dismissal and corporate negligence / manslaughter. Awards and legal costs in such cases can be significant so a provision within balances is prudent (£0.5m)

- **Savings plans:** the Authority is developing its savings plans for the next 5 years and has already agreed a range of measures for implementation. However it is possible that implementation may take longer than anticipated or savings may be less than originally estimated leading to an in year budget pressure (£0.4m)
- **Provision of services:** the Authority has taken on delegated responsibility for the delivery of mobilisation and control functions for West Sussex Fire Service under a S16 agreement. Failure to provide the service to the agreed performance levels could result in additional costs for the Authority (£0.25m)
- **Loss of income:** income targets are set within the budget for a number of functions, for example commercial and service training, and the Authority also receives income from the investment of its cash balances where rates achieved continue to decline. Although the amounts involved are small relative to the overall budget they continue to present a risk in year (£0.1m)

Proposal for the level of General Reserves

The updated assessment gives a preliminary figure of £5.5m (13.0%) on the net budget requirement of £38.568m in 2014/15. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate and pressure on budgets, it would seem appropriate to maintain the minimum level of general reserves at 8% in line with the Authority's existing policy. This equates to £3.1m. As the current general balances (reserves) provision is projected above this level at £3.752m, then the minimum level can be maintained without further contributions as the net budget requirement reduces in the medium term. For this reason the current base budget provision of £200,000 to General Balances has been taken as a savings from 2014/15.

Review of earmarked reserves

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

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

- **Improvement & Efficiency reserve:** This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver savings and respond to priority areas for service improvement. This includes support for on-going work with WSFRS to progress a number of collaborative projects so that long term savings can be realised for both organisations. Other collaborative projects are also being progressed with a number of other partners many of which may require proportionate pump priming funding to realise future financial savings for all partners involved. Within ESFRS, initiatives are also underway to generate effectiveness improvements in how services are delivered. This reserve is also to help support such initiatives to realise full benefits.

- Insurance Reserve: ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. However, the high cost of premiums required ESFRS to accept higher excess limits on fleet insurance and pay for the additional costs incurred up to the higher excess levels. This has actually proven to be financially beneficial and a similar review is now taking place for property excesses. The savings made are placed in this reserve to help offset years when higher claims may occur which have to be paid for internally.
- Capital Programme Reserve: to support the provision of the capital infrastructure required to deliver the Authority's service priorities. Given that an interim Capital Programme is proposed for 2014/15 – 2018/19 in the expectation that there will be capital implications resulting from phase 2 and 3 savings proposals and that Government Capital Grant funding is shifting from pro rata apportionment to "bid for" basis then it is important that this source of funding is maintained on the short to medium term. As part of the 2014/15 non-operational savings proposals the Authority has agreed to reduce the base budget contribution to this reserve to £500,000 per annum by 2018/19; and

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

- Maritime Incident Response Group: The national funding arrangements for responding to incidents at sea have ceased and individual maritime FRs are being left to determine whether to continue to provide a service in their respective maritime sectors provided they have sufficient back up from neighbouring FRs. This provision is to allow ESFRS to sustain its maritime service, primarily costs of specialist training, until future direction is more clearly established.
- Community Fire Safety Database: This provision is for the purchase and implementation of an extension to the Technical Fire Safety Database, currently being implemented. The scheme has been deferred from 2012/13 IMD Strategy to 2014/15 when internal resources will be available to implement.
- Breathing Apparatus: The renewal of breathing apparatus is on a life cycle basis, and significant costs are incurred at lifecycle replacement, due in 2015/16. Much of the replacement is not deemed to be Capital Expenditure so, this an appropriate funding means for significant one off revenue budget expenditure.
- Mapping Solution a reserve to meet specific IT infrastructure for both ESFRS and the Sussex Control Centre which are not funded from the DCLG grant, and whose final costs have yet to be determined.
- Relocation expenses for staff vacating service housing: The Authority has agreed to dispose of its entire day crewed housing stock over a four year period. Staff have been offered relocation support in order to achieve this overall objective over the remaining period. The current assumption is that the remaining costs will fall in 2014/15.
- Volunteers Scheme: provision to support the volunteers scheme for a further 2 years before a business case is made for its future
- Capital Receipts Reserve: capital receipts not yet applied to capital expenditure.

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

Earmarked Reserve	31/03/2013 Balance £'000	2013/14 Projected Movements £'000	31/03/2014 Projected Balance £'000	2014/15 Projected Movements £'000	31/03/2015 Projected Balance £'000
Improvement and Efficiency	1,189	448	1,637	419	2,056
Insurance	249	0	249	0	249
Capital Programme	2,818	(100)	2,718	1,000	3,718
Service Reserves:					
Maritime Incident Response Group	150	(50)	100	(50)	50
Community Safety Smoke Detectors	50	0	50	(50)	0
Community Fire Safety Database	150	0	150	(65)	85
Breathing Apparatus	750	0	750	0	750
Mapping Solution	120	0	120	(120)	0
Relocation Expenses for Staff vacating service housing	140	30	170	(70)	100
Volunteers Scheme	236	(73)	163	(79)	84
Sub-Total	5,852	255	6,107	985	7,092
Earmarked Reserves Fully Spent/not required					
Estates Condition Survey	38	(38)	0		
Technical Fire Safety	55	(55)	0		
Coaching for Safer Communities	50	(50)	0		
RDS Training	70	(70)	0		
IMD HR Replacement	8	(8)	0		
SCC Desktop Provision	85	(85)	0		
SCC Connectivity	106	(106)	0		
Sub-Total	412	(412)	0		
Total Earmarked Reserves	6,264	(157)	6,107	985	7,092
General Fund	3,552	200	3,752	0	3,752
Capital Receipts Reserve	1,702	937	2,639	(1,930)	709

Appendix G (i)

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2014/15

REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

OPTION A

	£	£
NET BUDGET REQUIREMENT		38,602,000.00
Forecast Business Rates retained	2,272,000.00	
Top Up grant	4,640,000.00	
Total Base Line funding	<u>6,912,000.00</u>	
Add Revenue Support Grant	9,051,000.00	
Total Grant funding (excluding transitional/freeze grant)	<u>15,963,000.00</u>	
Section 31 Grant Business Rates adjustment	230,000.00	
Council Tax Freeze Grant	252,000.00	
Previous Year's Surpluses/(Deficits)	276,000.00	
Total Council Tax required		<u>21,881,000.00</u>
Tax base	267,300.78	
Basic Council Tax (Band D equivalent)		81.86
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	54.57
Band B	7/9	63.67
Band C	8/9	72.76
Band D	9/9	81.86
Band E	11/9	100.05
Band F	13/9	118.24
Band G	15/9	136.43
Band H	18/9	163.72
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	81,359.20	6,660,064
Eastbourne	32,126.50	2,629,875
Hastings	23,733.00	1,942,783
Lewes	34,670.70	2,838,144
Rother	35,377.08	2,895,968
Wealden	60,034.30	4,914,408
	267,300.78	21,881,242

Appendix G (ii)

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2014/15

REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

OPTION B

NET BUDGET REQUIREMENT	£	£
		38,775,000.00
Forecast Business Rates retained	2,272,000.00	
Top Up grant	4,640,000.00	
Total Base Line funding	<u>6,912,000.00</u>	
Add Revenue Support Grant	9,051,000.00	
Total Grant funding (excluding transitional/freeze grant)	<u>15,963,000.00</u>	
Section 31 Grant Business Rates adjustment	230,000.00	
Previous Year's Surpluses/(Deficits)	276,000.00	
Total Council Tax required		<u>22,306,000.00</u>
Tax base	267,300.78	
Basic Council Tax (Band D equivalent)		83.45
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	55.63
Band B	7/9	64.91
Band C	8/9	74.18
Band D	9/9	83.45
Band E	11/9	101.99
Band F	13/9	120.54
Band G	15/9	139.08
Band H	18/9	166.90
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	81,359.20	6,789,425
Eastbourne	32,126.50	2,680,956
Hastings	23,733.00	1,980,519
Lewes	34,670.70	2,893,270
Rother	35,377.08	2,952,217
Wealden	60,034.30	5,009,862
	267,300.78	22,306,250

Appendix H

Establishment and payroll budget

The following table shows the number of posts that are included in the 2014/15 revenue budget and the estimated cost of employing staff in those posts. The measure of full-time equivalent numbers of staff has been used although it may be that with part time working and job share the actual number of people employed will be greater. It may also be that the full time equivalent number of staff may vary during the course of the financial year, especially for transition to the new Sussex Control Centre.

Staff Group	2014/15 Establishment/ Financial Provision Full time or whole equivalent	2014/15 Associated payroll cost budget £'000
Principal Officers	4	597,300
Wholetime Firefighter	397	17,085,800
Retained Firefighter	242	2,304,800
Mobilising (Sussex Control Staff)	47	1,716,800
Support Staff	139	4,717,100
Total	829	26,421,800

Appendix I

Budget Consultation

The responses received from staff and business representative bodies and other local authorities on the draft Revenue Budget proposals are set out below.

1. East Sussex FBU



East Sussex Fire Brigades Union Response to 2014/15 Budget Proposals & Integrated Risk Management Plan

The Fire Brigades Union (FBU) in East Sussex has for many years fully engaged with the Service in the Integrated Risk Management Planning (IRMP) process. We have also responded to all public consultation processes.

Like all local authorities, East Sussex Fire Authority continues to face significant financial challenges, the scale of which now means the Authority has to review all aspects of its functions including Prevention, Protection and Response through its IRMP arrangements.

The FBU has previously stated that the current financial problems were not created by the Public Sector and that it is our belief that investment into the future rather than austerity is the vehicle which will successfully recover the British economy. However, the current Westminster government appear content to lead Britain down the path of continued austerity. This means that the ESFA will continue to face a bleak future.

Against this backdrop of continued austerity ESFA must continue to deliver the vital service that its Fire & Rescue Service (FRS) provides for the wider community. ESFA's IRMP must play its part in how its FRS will continue to provide that vital service.

In moving away from the National Standards of Fire Cover, the shift in focus for IRMP (through the guidance notes and National Framework) was to concentrate on life risk. Computer risk models together with the insurance business are interested in life loss, injury and property damage. However, there are far wider reaching implications on the broader society, when a fire or other emergency occurs.

Other considerations include:

- Building fabric
- Building contents
- Heritage loss (both natural and built)
- Business interruption
- Direct impact on premise
- Indirect impact (e.g. effect of fire on nearby transport infrastructure)
- Environmental damage
- Social impact
- Economic impact
- Effect on community cohesion and sustainability

For example, a fire in a local Post Office or Community Centre would have substantial impact on the lives of local inhabitants. Similarly, where a fire affects a business it impacts on the livelihood and well-being of everyone in that community, not just the owners of the business and their employees. Fires or incidents that affect the transport infrastructure are estimated to have a huge economic impact. There are many economic models, but they all undoubtedly agree that any significant traffic delay even to sub motorway routes, costs the local economy tens of thousands of pounds.

Therefore, when considering ESFRS's IRMP and the impact of emergency incidents authority members must take note that:

- The effect of fire should not be restricted to injury and death
- The cost of emergencies cannot be fully converted into cash terms
- All aspects of the impact of incidents must be fed into the IRMP risk assessment.

The above points must be included when outlining the "Scope" of the IRMP. In other words, IRMP must start by considering every aspect of risk; otherwise the whole process will be flawed.

Once this is done, the rest of the IRMP cycle can be carried out as outlined in our document: "The Framework Document: How to Construct an IRMP", available from the FBU website (www.fbu.org.uk). (Hard copies can be supplied on request)

This document describes the process through a series of cyclical steps given below:

Step 1: Scope. Identify all of the issues that are the business of the FRS. Identify all of the internal and external controlling factors that impact upon the FRS.

Step 2: Risk assess each of the issues that are in scope. How likely are they to materialise? How harmful are they? Prioritise them according to overall risk and determine a performance outcome target (the degree to which you would like the risk to be reduced).

Step 3: *Develop strategies to reduce the risks.*

Identify the resources needed to deliver each strategy.

Allocate resources according to the degree of risk.

Identify the inputs and outputs of delivery strategies – if short term inputs and outputs are achieved, long term outcomes should be satisfactory.

Step 4: *Delivery. Remember that people are the most important part of any delivery strategy, so to make sure that the strategies work, consult staff about the practicalities of delivery mechanisms.*

Step 5: *Monitor the whole process from step 1 to step 4. Constantly look for new risks and changes to existing risks. Monitor performance against inputs, outputs and outcomes.*

Step 6: *Review the process in the light of performance. Did the strategies deliver the performance outcomes? If so, continue with them, if not; develop new strategies for the next planning cycle.*

Most importantly though, it is the function of the IRMP process to simply be honest and to be transparent about the service being proposed. The consultation stage of the IRMP process has to highlight the difference between:

1. True efficiency savings, and
2. cuts in services that are forced on the FRS, as a result of budgetary constraints.

If providing value for money means providing a lower level of service because fewer finances are available, the IRMP consultation has to say so. It is the only way that the public can be sufficiently informed to make choices about the services they receive, and what they are prepared to pay for them.

It is also clear that ESFA's IRMP must take account of Civil Contingencies Act 2004 (CCA) Risk Register as Category 1 responders, and also plan and provide for conceivable emergencies, across the whole range of possibilities. Clearly to be properly effective, this needs greater central coordination of standards of fire cover on a national scale. However, ESFRS should be able to achieve a reasonable attempt at providing a comprehensive IRMP, to include and plan for all realistic scenarios.

It is not for East Sussex FBU to carry out this function on behalf of ESFA or ESFRS managers however it is clear that ESFRS must plan for the services that it provides.

To this end attendance times and weight of attack are critical for a successful outcome. The development of a fire is exponential (a fire doubles in size every minute). This also applies to Road Traffic Collisions, where the prospect of survival of trapped casualties also deteriorates exponentially. Any under-resourced attendance by ESFRS will not only have difficulty in achieving its objectives, it will also put its personnel in danger by being unable to provide a safe system of work.

The FBU has made this clear by robust evidence supplied in its document “It’s About Time,”(available on request or online). The document clearly shows the importance of a speedy arrival with the necessary resources, is essential to limit the effect of fire. The same is true of many other emergency incidents, where the deterioration of the incident is exponential.

According to a report published by the DCLG, “Fire and Rescue Service Response Times” there has been a considerable increase in response time to incidents over the last 15 years. This is largely due to cuts to the frontline of the fire service. This report also predicts that at the current rate of increased attendance times that there will be:

- 13 additional fatalities in dwelling and other building fires each year
- 65 additional deaths in RTCs and
- £85m increase in building fire damage.

With this in mind, when planning a fire service response, the FBU both locally and nationally have long advocated the use of planning tools such as Critical Attendance Standards. (CAST).

The CAST scenario planning tools demonstrates the fire service attendance required for a huge variety of conceivable incidents. This is done by identifying the resources required, to successfully deal with an emergency incident, and then realistically plotting those resources on a task timeline. This CAST document has historically been shared with the ESFA, however electronic or hard copies can be supplied upon request.

ESFA is instructed, by the National Framework to consider, when planning its intervention resources, the full range of emergencies that will be encountered. As well as those incident types directed by DCLG, consideration must also be given to:

- CBRN incidents
- Terrorism
- Major incidents
- Climate change
- Civil Contingencies
- Civil disturbance
- Cross border liaison

When assessing its provision for future emergency cover ESFA must take the following considerations into account:

- Geographical population centres
- Historical data of incidents
- Risks within a station ground
- Travel distances from support stations
- Likelihood of simultaneous incidents
- Staffing protocols
- Standard Operating Procedures
- Specific Incident Procedures

East Sussex FBU shall respond in full as part of the consultation process regarding the next planned Phases of the operational savings which will form part of delivering service changes over the next five years.

However, East Sussex FBU believe it would be remiss if we did not take this opportunity to respond in general terms as ESFA shall be shortly making decisions that could impact on public and fire fighter safety.

The FBU as always are opposed to any cuts that would impact public safety and fire fighter safety.

Therefore it is our intention that by providing ESFA members with this response it will enable them to consider whether the process carried out by ESFRS managers has been robust and in accordance with the relevant documents, or whether these cuts in services that are forced upon ESFRS are as a result of budgetary constraints.

If providing value for money means providing a lower level of service because fewer finances are available, the IRMP consultation has to say so. It is the only way that the public can be sufficiently informed to make choices about the services they receive, and what they are prepared to pay for them.

Thank you for taking the time to read and digest the concerns of the East Sussex FBU representatives.

This is not a formal response to the IRMP proposals that ESFA are considering, the FBU local officials shall respond formally to the IRMP once it becomes public and the consultation process commences.

If you wish to discuss any of the points or concerns raised above then please do not hesitate to contact either us.

Kind regards,

Mark Brown East Sussex FBU Secretary

Simon Herbert East Sussex FBU Chairman

2. *Becky Shaw, Chief Executive, East Sussex County Council*

Thank you for the opportunity to comment on your budget proposals.

We welcome the focus of the Home Safety Visits supporting the most vulnerable in our community. We note the proposed reduction to the Community Safety Advisers, and appreciate that communities may be concerned by this. However, as we understand it, the Community Safety Advisers complete other work in addition to the Home Safety Visits, so by bringing them together as a central resource they will work in a more efficient way.

Other than that we would very much welcome the opportunity to discuss these proposals in detail with you and our other community safety partners at the East Sussex Community Safety Steering Group or the Performance and Resources Group that supports it.

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**

Title: **Integrated Risk Management Plan (IRMP) Review of Prevention, Protection and Response**

By: **Chief Fire Officer & Chief Executive**

Purpose of Report: **To seek approval to commence public consultation on the outcomes of the IRMP Review of Prevention, Protection and Response, forming part of the Phase 2 and 3 proposals necessary to meet the funding gap and consequential savings target of £7.1m, as identified within the Medium Term Financial Plan for the period 2014/15 – 2018/19.**

RECOMMENDATIONS: The Fire Authority is recommended to:

- (i) Approve commencement of formal consultation on the proposals contained in Phase 2 and Phase 3, as approved by the Authority at its meeting on 12 December 2013, and as detailed in Appendices to this report;
 - (ii) Note the formal consultation and communication plans, as set out in the report;
 - (iii) Note the rationale for the term of consultation, and approve the recommendation for 10 weeks consultation, for officers to report outcomes to the full Fire Authority at its meeting on 5 June 2014; and
 - (iv) Consider the outcomes of the Equality Impact Assessments for the savings proposals included in the Medium Term Financial Plan, as set out in the report.
-

MAIN ISSUES

1. The Fire Authority will soon have a much smaller budget, due to restrictions on our ability to raise Council Tax and a substantial cut in Government funding. In developing the Medium Term Plan the Fire Authority has identified the need to deliver savings of approximately £7.1m, or 18.2% of our current revenue budget, over the next five years (in addition to £1.3m of savings already agreed for 2014/15), primarily due to expected reductions in revenue support grant funding from central government of over 75%. Despite previous substantial reductions in budget, and savings which have led to reductions in staff delivered through the Service Prioritisation and Facing the Challenge programmes, the Fire Authority has to balance our determination to provide a high performing service with the reality of a shrinking budget and, therefore, has to make more changes to the service it delivers to balance its budget.

2. Whilst previous savings, through the Service Prioritisation and Facing the Challenge programmes, have, in the main, protected operational services, the review of the Authority's functions of Prevention, Protection and Response has identified a savings plan in three phases over the term of the Medium Term Financial Plan from 2014/15 to 2018/19.
3. At the same time that we have to make significant savings it is a fact that, over the last decade, the Fire & Rescue Service nationally and locally has seen a significant reduction in the number of incidents that it has been required to attend. This presents evidence of the opportunity to change the way in which operational services are delivered, whilst maintaining our performance standards and maintaining significant investments in firefighter safety.
4. The Fire Authority, at its meeting on 12 December 2013, approved that the changes to Prevention, Protection and Response functions should be phased over the term of the MTFP.
 - Phase One – proposals where the impact of any changes in terms of service delivery are assessed to be low, can be progressed through normal day to day business without the need for formal external consultation, and are expected to deliver the bulk of the required savings in 2014/15 and 2015/16.
 - Phase Two – proposals which may have a greater impact on individuals and, possibly, service users as they propose major changes to service provision but have had to be developed in order to allow the Authority to make the bulk of the savings required from 2015/16. A number of these proposals will require external consultation.
 - Phase Three – areas for further review and investigation where formal proposals for change and potential savings will be brought to Members for approval during 2014/15, with the expectation that further savings can be realised from 2015/16 onwards.

The operational savings proposals in Phase 1, previously approved for implementation by the Fire Authority, along with a range of non-operational savings, will ensure that savings targets in 2014/15 and 2015/16 can be met. Depending on decisions taken by the Authority as part of the Revenue Budget report elsewhere on this Agenda, additional savings of up to £2.6m will be required to meet the £7.1m target. The Phase 2 proposals, if taken in full following consultation, have the potential to deliver estimated savings of up to £1.7m by 2018/19. It is expected that the outcome of the Reviews in Phase 3 will help meet the remaining shortfall toward the overall MTFP target of £7.1m.

5. All of the Phases present proposals which will inevitably lead to a reduction in posts across the Authority, with fewer staff working on fire stations and in prevention and protection services. Current estimates are that the necessary reduction in staff to meet the savings required will be between 50-80 posts, and consultation with staff and representative bodies will be key in progressing these proposals in both a timely and appropriate manner. The Authority will continue to seek to minimise the risk of compulsory redundancies through natural turnover, holding vacancies, and its redeployment policy. Further work is underway to understand how the savings proposals in Phase 2 and 3 will be implemented, especially where they are reliant on reductions in posts to achieve the savings.

6. The key considerations of the Fire Authority when it reviewed the impact of the proposals at its meeting on 12 December 2013, and the approach to consultation and communication, were:
- Will the Authority maintain its statutory duties?
 - What is the current performance and trend for improved performance based on the last ten years?
 - What will be the impact of the changes on service delivery?
 - What will be the impact on public and firefighter safety as a result of the options being implemented?
 - Will performance to the public of East Sussex and the City of Brighton & Hove be maintained and, in certain areas, improved as a result of the proposals?
 - Will the Fire Authority continue to commit to a vision of 'Achieving safer and more sustainable communities' and deliver to its agreed aims?
7. The Fire Authority, when making these decisions, should also consider the requirements of the Public Sector Equality Duty and, therefore, a number of Equality Impact Assessments (EIAs) have been drafted which assess the impacts of decisions as a result of proposals for future provision of Prevention, Protection and Response services, which will result in a reduction in the operational establishment and changes in the way the Service delivers prevention and protection services to the public of East Sussex and the City of Brighton & Hove.

Des Prichard
CHIEF FIRE OFFICER & CHIEF EXECUTIVE
25 January 2014

1. **INTRODUCTION**

- 1.1 The 'Facing the Future' report by Sir Ken Knight suggested that the scale of change needed nationally is unlikely to be achieved without significant changes at local level. Fire Authorities around the country are being forced into introducing plans for change which reflect the challenge to future budgets and which require transformational ways in which services can be delivered against risks.
- 1.2 Although there are differing models for deployment of resources across Fire Authorities this can be attributed to the lack of any national standards of attendance and the development of local Integrated Risk Management Plans (IRMPs). Therefore, although there are some operational consistencies across fire and rescue services, it is entirely reasonable to accept that local solutions to funding reductions and other budget pressures, which include increased collaboration, shift changes, new crewing arrangements, station combinations, and reductions in back office functions, should be introduced alongside consideration of income streams where there is (some) local determination, such as Council Tax.
- 1.3 Over the last decade, this Service has reported to the Fire Authority a significant reduction in the number of incidents attended. Even with the unprecedented financial challenges faced by the Fire Authority so far, there has been minimal impact on 'service delivery' and the operational establishment and investment in prevention activity. The trend in incidents demonstrates that the risks in the communities of East Sussex and the City of Brighton & Hove are significantly reducing as a result of the Fire Authority's investment in prevention and protection activities. Conversely, although there has been an increase in the population, number of cars on the road, and the number of dwelling and commercial premises, the number of incidents we attend has not increased to reflect this, indicating that the public is more safety conscious. In fact, we have seen a reduction across a range of service delivery performance indicators as indicated in Table 1

Table 1 – Performance from 2001/02

Summary	2001/02	2011/12	2012/13	Reduction since 2001/02	Reduction from 2011/12 to 2012/13
	Actual	Actual	Actual	+/- %	+/- %
All Fires, including Chimney fires	5,352	2,652	2,155	-60%	-19%
Accidental Dwelling Fires	783	538	558	-29%	+4%
Primary Fires (<i>fires in properties of value or involving more than 5 fire engines</i>)	2,821	1,336	1,274	-55%	-5%
Secondary Fires (fires in derelict buildings, grass, heath, railway, straw, fence, bins etc.)	2,321	1,149	642	-72%	-44%
Deliberate Primary Fires (<i>fires in properties of value or involving more than 5 fire engines where the cause of fire is suspected not to be an accident</i>)	1,393	363	329	-76%	-9%
Deliberate Road Vehicle primary fires	924	150	161	-83%	+7%
Deliberate primary fires other than road vehicles	469	213	168	-64%	-21%
Deliberate secondary fires	1,984	806	389	-80%	-52%
Non-fatal casualties by fire	222	107	91	-59%	-15%
Non-fatal casualties excluding precautionary checks	152	65	50	-67%	-23%
False Alarms	5,962	5,863	4,577	-23%	-22%
False Alarms due to apparatus*	-	3,487	3,317	-113	+5%
Malicious False Alarms	564	107	168	-70%	+57%

2. **RISK IN EAST SUSSEX AND THE CITY OF BRIGHTON & HOVE**

- 2.1 Risk has been assessed in this Review from the perspective of both the public and our firefighters, to give a clearer understanding of the customer, risk and diversity across East Sussex and the City of Brighton & Hove. We recognise that the risk to public safety predominately stems from fires that occur in the home or business premises and from road traffic collisions and, therefore, there is benefit in looking at historical demand; however, this must be balanced with the continued reduction in incidents as a result of a more aware community.
- 2.2 What is clear is that, as an individual, the likelihood of needing a fire service intervention in an emergency situation across East Sussex and the City of Brighton & Hove is low and the trend is that the number of interventions will continue to reduce. Therefore, a reliable way of planning future resources is to match proposals to risk and take into account the number of past incidents and what interventions have taken place. Within East Sussex and the City of Brighton & Hove the geographical spread of incidents has not changed substantially over the last ten years, however the number of incidents has dramatically reduced. Small local changes do not impact on our overall response capability or the location of our fire stations.
- 2.3 The Fire Authority's community fire stations are located where they are in line with the previous national standards of fire cover which were determined by the number and type of buildings in an area. These standards have been replaced by locally determined standards based on local risk, with a priority on life risk, and are complemented by local emergency response standards.
- 2.4 Community fire stations, although provided within a local community, do not exclusively provide response capability for that area, as they are available to attend incidents anywhere in East Sussex or the City of Brighton & Hove. However, the Service recognises that the speed and weight of response of the initial pre-determined attendance is important if the preventative activity has not been received and individuals are affected by fire and other emergencies. Therefore, there are no proposals contained with this report to alter the existing performance standards set by the Fire Authority.
- 2.5 The proposals made in this report make use of a wide range of assessments including, but not limited to:
1. Historical incident data
 2. Predictive modelling using the Base Case to demonstrate the effects of altering the resource allocation (removing appliances, changing to new duty systems, etc.)
 3. Recognising that any changes do not just have a local impact but also have a Service-wide impact on response and resilience.

3. **SAVINGS PROPOSALS**

- 3.1 The Fire Authority has identified, through its Medium Term Finance Plan (MTFP), the need to deliver savings of approximately £7.1m, or 18.2% of our current revenue budget, over the next five years (in addition to £1.3m of savings already agreed for 2014/15), primarily due to expected reductions in grant funding from central government.
- 3.2 Members approved, at the meeting of the Fire Authority in December 2013, the operational savings proposals in Phase 1 for implementation by the Service along with a range of non-operational savings to ensure that savings targets in 2014/15 and 2015/16 can be met, and the budget for 2014/15 can be set. Officers have commenced the process of implementation of these proposals in Phase 1 to meet the savings for 2014/15, and further reports on progress with these will be presented to the Scrutiny & Audit Panel as appropriate. Depending on decisions taken by the Authority as part of the Revenue Budget report elsewhere on this Agenda, additional savings of up to £2.6m will be required to meet the £7.1m target by 2018/19.
- 3.3 Phase Two – proposals which may have a greater impact on individuals and, possibly, service users as they propose major changes to service provision but have had to be developed in order to allow the Authority to make the bulk of the savings required from 2015/16. A number of these proposals will require external consultation.
- 3.4 The headline analysis, predicted impact on performance and life risk across the service area for the proposals contained within Phase 2 are included within Appendix D to this report.
- 3.5 Phase Three – areas for further review and investigation where formal proposals for change and potential savings will be brought to Members for approval during 2014/15, with the expectation that further savings can be realised from 2015/16 onwards.
- 3.6 More detail on the perceived benefits or dis-benefits of the potential outcomes of Reviews included within Phase 3 is included within Appendix D to this report.

4. **CONSULTATION/COMMUNICATIONS**

- 4.1 Since Members approved the proposals, officers have also been working to develop the Consultation Strategy, Communication Plans and Equality Impact Assessments for Phase 2 and 3, for final consideration by the Fire Authority.
- 4.1.1 No formal public consultations on Phase 2 or 3 have been undertaken so far; these would follow once the Fire Authority has given approval to progress.
- 4.2 **Consultation Strategy**
- 4.2.1 The guidance that is provided for consultation, setting out the principles that Government departments and other public bodies should adopt for engaging stakeholders when developing policy, is laid out in the Code of Practice on Consultation issued in July 2008.

- 4.2.2 Timeframes for consultation should be proportionate and realistic to allow stakeholders sufficient time to provide a considered response and, where the consultation spans all or part of a holiday period, policy makers should consider what, if any, impact there may be and take appropriate mitigating action.
- 4.2.3 The amount of time required will depend on the nature and impact of the proposal (for example, the diversity of interested parties or the complexity of the issue, or even external events), and might typically vary between two and 12 weeks. The timing and length of a consultation should be decided on a case-by-case basis; there is no set formula for establishing the right length of the consultation period.
- 4.2.4 In some cases there will be no requirement for consultation, depending on the issue and whether interested groups have already been engaged in the policy making process. For a new and contentious policy, 12 weeks or more may still be appropriate. When deciding on the timescale for a given consultation, the capacity of the groups being consulted with to respond should be taken into consideration.
- 4.2.5 It is proposed that the consultation period for the East Sussex Fire & Rescue Service Consultation on 'Changing the Service – Shaping our Future' should be 10 weeks, commencing on Friday 14 February 2014 and closing on Friday 25 April 2014. The results of the consultation will be reported to the Fire Authority meeting on Thursday 5 June 2014.
- 4.2.6 It is anticipated that the responses to the consultation will be large in number and challenging and robust in nature. It is, therefore, essential that sufficient time is given to the collation and presentation of the consultation outcomes to ensure the Fire Authority receives a true representation of views expressed. With a meeting date of 5 June, papers would in effect have to be completed for submission by mid-May therefore, an end date of 25 April would provide 3 clear weeks for final collation and analysis of responses and the preparation of a comprehensive report.
- 4.2.7 The consultation information will be available on the Service website from Friday 14 February 2014 and staff, stakeholders and the public will all be informed of its location and the opportunities to consult as soon as possible after that date. The following formats will be used to engage staff, stakeholders, local businesses and the public during February and March:
- Online questionnaire (printable on request)
 - Staff presentations
 - Staff forums
 - Public focus groups
 - Stakeholder forums
 - Public roadshows
 - A robust media campaign
- 4.2.8 East Sussex Fire & Rescue Service has been running consultations for Integrated Risk Management Plans and Service Reviews for many years and has found the following trends in responses to be typical:

- Interested parties respond very quickly, sometimes using more than one method of communication
- Any media coverage is usually immediate and will raise the public's interest very quickly after information is released
- People who attend the focus groups, forums and staff meetings tend to respond straight afterwards, once information has been received and discussed
- Once initial meetings and communications have been sent, reminders do elicit further interest but at a very much lower level than the first responses
- During the last 2 or 3 weeks of the consultation period there is very little correspondence received and requests for information have reduced except from those with a specific interest in the proposals
- Regardless of the timescale there will always be people who respond after the deadline resulting in their responses being too late to be included in the resulting report. This, however, is usually very low e.g. the Hastings Review received 3 responses after the consultation had closed.

4.2.9 It is felt that our proposed combination of consultation methods, each providing early opportunities to provide information to all audiences, using multiple channels and various communication styles, will 'allow stakeholders sufficient time to provide a considered response' within a 10-week consultation period.

4.3 **Communications strategy**

4.3.1 The aims of the communications strategy for this consultation are as follows:

- To raise awareness of the consultation and the issues we are seeking views on
- To encourage people and organisations to take part
- To increase public understanding about the fire and rescue service

4.3.2 Information will be made readily available and in a range of formats to make it accessible to different audiences. Interaction with members of the public will be encouraged through channels such as social media and there will be clear signposting to the online consultation throughout.

4.3.3 There will be media monitoring in place to help assess common themes of concern or interest and these will be used to shape communications as the consultation progresses.

4.4 **Communication methods**

A range of communication methods will be used. These are all free or low cost options which have a proven record of success.

4.4.1 **Website**

This will be updated once the consultation is open with information about how people can take part. The language will be clear and accessible. It will host a range of publicity materials such as videos, FAQs, links to Fire Authority, papers, etc.

4.4.2 **Leaflets and postcards**

These will be used to help promote the consultation and the proposals. There will be printed and online versions. These can be circulated to partner organisations or used at our promotional events.

4.4.3 **Promotional events**

We plan to set up stands for a day in each of the following locations: Brighton, Eastbourne, Hastings and Uckfield. This is to allow members of the public to ask us questions face to face and allow us to explain the proposals. This approach should allow us to reach a wide range of people – more so than a public meeting where people have to make the effort to come to us.

4.4.4 **Media**

The media is a very effective way of reaching our communities – whether broadcast, in print or on websites. We will issue press releases, offer interviews and keep journalists updated.

4.4.5 **Social media**

Social media provides us with an opportunity to reach people and organisations easily and effectively. We will use both Twitter and Facebook to promote the consultation, explain the proposals and promptly answer queries the public may have.

5. **EQUALITY & DIVERSITY IMPLICATIONS**

5.1 The Equality Act 2010 legally protects people from discrimination in the workplace and in wider society.

5.2 It replaced previous anti-discrimination laws with a single Act, making the law easier to understand and strengthening protection in some situations. It sets out the different ways in which it is unlawful to treat someone.

5.3 The Public Sector Equality Duty (PSED) is contained in Part 11, Chapter 1 of the Equality Act 2010 and came into force on 5 April 2011. The main Duty is set out in section 149 of the Act, whilst sections 150-157 deal with the imposition of specific duties as well as powers to specify authorities to which the duties apply. Under section 149 all public authorities must, in the exercise of their functions, “have due regard to the need to” eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to the protected characteristics identified in section 4:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- Sexual orientation.

5.4 The PSED also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a “relevant protected characteristic” and persons who do not.

5.5 East Sussex Fire & Rescue Service became the first 'excellent' Service in the South East and fourth in the country when it undertook assessment against The Fire & Rescue Service Equality Framework in April 2012. This achievement signifies that East Sussex Fire & Rescue Service recognises and addresses equality and diversity objectives that are a priority for the fire and rescue service.

5.6 What is required

The Fire Authority met on 12 December 2013 and approved a range of options that could, if implemented, have equality impacts on service delivery. As a result, officers have considered the existing overarching Equality Impact Assessment (EIA) for the Medium Term Plan (2013/14 – 2017/18 incorporating Integrated Risk Management Plan (2013/14 – 2015/16)) in the development of individual impact assessments for each of the proposals related to the MTFP 2014/15 – 2018/19.

5.7 In the development of the overarching EIA, officers considered impact assessments which were developed earlier this year by the Community Risk Management Team, which were intended to provide sufficient information for Members to determine future direction. These were based on the follow impacts:

- Social
- Technological
- Economical
- Environmental
- Political
- Legal
- Ethical
- Other (e.g. health and safety impacts)

5.8 Data and understanding customer needs (qualitative/quantitative).

5.9 We have extensive information about the risk relevant to the Fire & Rescue Service in our community and actively research relevant national and international developments in this field. This knowledge has helped to shape our Strategic Objectives.

- Extensive on-going analysis of our own historical data including characteristics of those involved in incidents, use of the MOSAIC segmentation tool to help us better understand those at most risk of fires and other incidents; use of government supplied toolkit (FSEC) to analyse risk of fire and other incidents using data and also demographic characteristics such as Index of Multiple deprivation, tenure of housing, likelihood of disability, etc.
- Extensive on-going analysis of data sources from partners' data, including Sussex Police and Sussex Safer Roads Partnership – Road traffic accident data for risk areas and demographic characteristics of those likely to be in road traffic collisions. In addition, we have excellent links with the Health & Wellbeing Boards for additional information such as smoking habits and lifestyle issues.
- Membership of national and regional working groups to ensure we keep up to date with Best Practice methodology for analysing customer risks and needs.
- A range of practical and academic papers and articles produced locally and nationally by DCLG and other research bodies.

- 5.10 On-going face to face engagement work with our diverse communities helps us to understand their needs and expectations and develop our EIAs for the proposals in the MTFP. The following is a sample of the work undertaken with groups contained within the protected characteristics:
- 5.11 **Work with Sexual Orientation**
A principal officer is the champion for Sexual Orientation. We take an active part in the annual Brighton & Hove Pride summer festival, with staff and fire appliances taking part in the parade, and a stand offering home fire safety advice, which gives us an opportunity to talk to and distribute home fire safety and other advice to the festival goers. Pride in Brighton & Hove promotes equality and diversity, and advances education to eliminate discrimination against the Lesbian, Gay, Bisexual and Trans (LGBT) community.
- 5.12 **Black and Minority Ethnic and Nationality**
We have links with groups such as the Asian Fire Service Association. A principal officer is a Champion for Race.
- 5.13 **Disability**
One of the Directors is a Champion for disability. There is a Disability Support Network which helps raise awareness within the Service about the needs of disabled people and invites disabled people to become more involved with the Service. It also aims to offer support and advice to employees with a disability and build relationships with local disability groups. We provide specialist services to customers with hearing impairments who need adapted smoke alarms, and we have recently launched a staff Dyslexia Group to support those with this hidden disability.
- 5.14 **Age**
Work with Young people:
Positive engagement with thousands of young people each year through a range of schemes such as Coaching for a Safer Community, Safe Drive Stay Alive, Schools Education and the Firesetter Intervention Scheme. Safe Drive Stay Alive targets young drivers, passengers and potential drivers at events for teenagers across East Sussex and the City of Brighton & Hove. The FireBike riders operate in their own time – their remit is to engage and educate a range of riders, particularly sports bikers in their thirties and forties, a group identified as being involved in a high proportion of Road Traffic Collisions.
- 5.15 **Work with Older People**
One of the Directors is the Champion for Age. Much of our prevention work is targeting elderly, vulnerable people in the home. This targeted work with Home Fire Safety Checks brings us into contact with thousands of older people in their own homes each year.

5.16 Carers

We meet many carers as part of the Home Safety Checks and, in addition, we work with the Carers' Support Agency. We talk about specific issues to carers, and assist in advising them about what they should be looking for as they visit carers at home – they can also refer people directly to us as required.

5.17 Equality Impact Assessments

There are a total of 10 Equality Impact Assessments for the proposals contained within Phase 1, 2 and 3 of the MTFP including:

- Overarching Equality Impact Assessment for Phases 1, 2 and 3
- Equality Impact Assessments covering Phases 1 and 2 (this includes an EIA covering Prevention/Protection proposals Phase 1 – Proposals 1,2,3,4,6,7,8 and Phase 3 – Proposal 8). (A separate EIA will be undertaken for Phase 3 – proposal 9 (Review Call Challenge Policy including Charging to repeat offenders), and an Overarching Equality Impact Assessment for Phase 3.

5.18 Incident data analysis and predictive modelling has shown there would be no significant increase in life-risk should one pump in the City be removed and there is no additional response benefit in maintaining the fifth pump as a retained pump except for Service-wide resilience or initial makeups and second and subsequent calls to incidents within the City. The Service would also continue to meet our service-wide attendance standards.

5.19 From a Prevention perspective, we look at risk from the perspective of both the public and our firefighters, and our various Strategies (including Community Safety, Protection and Response) reflect this. Our Community Profiling has given us a clearer understanding of the customer, risk and diversity across East Sussex and the City of Brighton & Hove and has led to the development of 'The Cube'. This is a community profiling tool, which collates risk information from a number of different sources and is used to identify the most vulnerable members across our communities. These sources include the Fire Services Emergency Cover Toolkit (FSEC), Indices of Multiple Deprivation, Phoenix, and incident history. In addition, Mosaic Public Sector data is used to help understand the community profile of households and allow development of campaigns according to the most appropriate communication channel. Data is also obtained from Adult Social Care to target those people considered most vulnerable in the community.

5.20 Preventative services will continue to be delivered, with an emphasis on targeting those most vulnerable people in the community. These vulnerable people are normally more representative of the elderly community. ESFRS also works with many partners to improve the safety and well-being of the elderly and vulnerable.

5.21 Sprinkler awareness campaigns are likely to have a positive impact, particularly for the vulnerable. ESFRS is proposing to fund a sprinkler project in a couple of high risk high-rise buildings.

- 5.22 In summary there are a number of positive and negative impacts to the proposals and direction taken to change the provision of prevention, protection and response services across East Sussex and the City of Brighton & Hove. These are broadly that, although service delivery models will change, and although adverse impacts to the public are at this stage considered minimal with the service attendance standards being maintained, the results are that, in some instances, the second appliance attending may take slightly longer than previously. This adverse impact is consistent across all characteristic groups. Work will be undertaken to identify any groups that may be affected more by this adverse impact.
- 5.23 Preventative service delivery will continue to be risk based and targeting vulnerable people and groups.
- 5.24 Equality Impact Assessments are contained within an Appendix E, which is available on the web-site. Copies are also available for Members in the Members' Room, and in their Group Meeting Rooms prior to this meeting of the Fire Authority on 14 February 2014.

6. **FINANCIAL IMPLICATIONS**

- 6.1 The savings that would flow from the proposals in this report are summarised in Appendix D and, if taken in full, have the potential to deliver savings of up to £1.5m (using Phase 2 with Proposal 2A savings figures. Savings would be up to £1.7m using Proposal 2B savings figures). These do not currently deliver all the additional savings required to meet the £7.1m target and work will continue to identify additional savings through further reviews of operational and non-operational services, including those set out in Appendix D (Phase 3).
- 6.2 A number of the proposals will have one-off revenue or capital implications; these are being assessed and will be built into our future budget plans whether through the capital programme or our strategy for reserves and balances. The Capital Programme for 2014/15 – 2018/19 is currently presented as an interim document in the expectation that it will require early review following the consultation period to reflect any final decisions subsequently taken by the Authority on Phase 2 and Phase 3 proposals.

Appendix A – Reducing Incident Numbers

Over the last decade, ESFRS has reported to the Fire Authority a significant reduction in the number of incidents attended. The trend in incidents demonstrates that the risks in the community are reducing as a result of the Fire Authority's investment in prevention and protection activities. Even though there has been an increase in the population, number of cars on the road and the number of dwellings and commercial premises, the number of incidents we attend has not increased to reflect this, indicating that the public are more safety conscious. This is a trend that is reflected nationally and, in the last decade, despite the fact that Fire & Rescue Services are responding to far fewer incidents, there has been no significant reduction in the level of resources provided i.e. we still have almost the same number of firefighters and fire stations.

The National Picture

The table below shows that, nationally, overall firefighter strength has reduced by 5.9% and fire stations by 1.9% since 2002, while the number of incidents has almost halved.

As at March 31	Number of firefighters	Number of fire stations	Incidents attended (2001-02 to 2012-13)
2002	42,374	1,449	990,793
2003	42,415	1,448	958,142
2004	42,679	1,447	1,016,028
2005	42,151	1,448	861,384
2006	41,917	1,440	843,734
2007	42,404	1,455	854,371
2008	42,353	1,452	791,747
2009	41,955	1,453	717,805
2010	41,634	1,439	680,592
2011	41,171	1,435	647,244
2012	39,869	1,422	606,704
2013	-	-	519,907

Note: Figures include wholetime and retained firefighters, and are full-time equivalent numbers

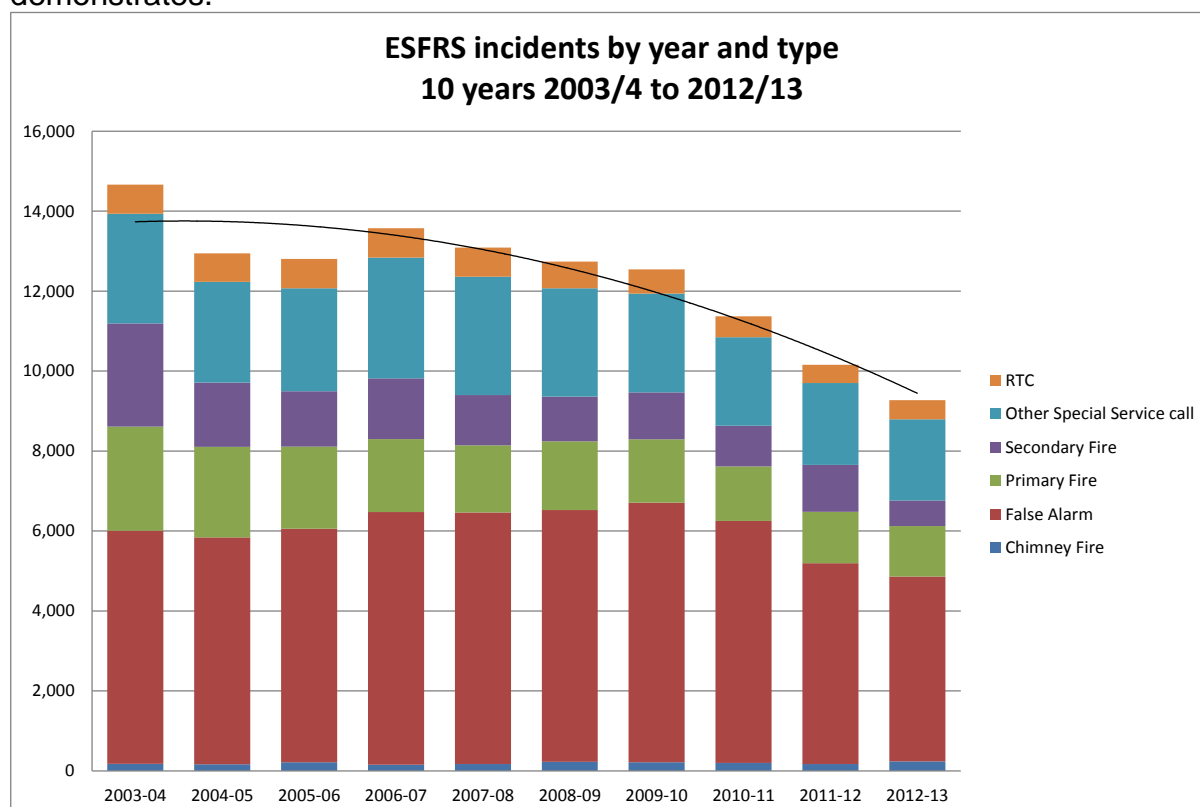
Source: House of Commons - Commons Written Answers, Date: 18.11.13

The Local Picture

The following table shows that since 2003/04, ESFRS firefighter strength has reduced by 4.5% and fire stations have not reduced at all, whilst incidents are down by 37%.

	2003/04	2012/13	Reduction
Number of Firefighters	441	421	4.5%
Number of Fire Stations	24	24	0%
Number of Incidents Attended	14,666	9,275	37%

This downward trend is occurring in all incidents, not just fires, as the chart below demonstrates.



Appendix B – Performance Standards

Agreed Attendance Standards

ESFRS has agreed attendance standards for attendance times at life-threatening and non-life-threatening incidents.

Incidents classified as life-threatening will attract the following standard speed of response for the 1st appliance:

- 60% of calls in 8 minutes
- 90% of calls in 13 minutes

and for the 2nd appliance:

- 50% of calls in 8 minutes
- 80% of calls in 13 minutes

ESFRS intends to maintain a minimum attendance of eight firefighters as the initial response to dwelling fires and RTCs on 90% of occasions.

Lastly,

- All incidents will be attended within 20 minutes on 95% of occasions.

These standards were initially set via the Integrated Risk Management Planning process in 2004/05 and 2006/07 and were updated in April 2011. They replaced the centrally prescribed standards of fire cover which were designed to protect buildings and property, rather than people. The previous standards prescribed that some areas of our service required a 1st pump attendance in 8-10 minutes and some in 20 minutes. These new standards, therefore, represent a marked improvement in most of our service area.

In the last 2 years, since the standards were updated, our performance has been as follows:

ESFRS Performance Standards					
Year	Life-threatening Incident				All Incidents
	8 minutes		13 minutes		20 minutes
	1st App	2nd App	1st App	2nd App	1st App
2011/12	79.9	63.0	96.1	90.3	98.9
2012/13	74.5	58.3	95.0	85.3	98.9

It should be noted that the success of the AFA policy, which has led to a 32% drop in the number of AFA calls we attend, is having an effect on life-threatening incident attendance times as the numbers of calls we attend is reducing. Standards are reported on initial call type, e.g. an automated fire alarm is treated as a fire until found to be otherwise. These calls, historically, have quick attendance times and therefore, as we have less of them, the balance of call type reported within the standards has shifted. As a result, the performance achieved has reduced slightly, although the targets are still being exceeded for every standard shown above.

Appendix C – How We Assess Risk

Community Profiling and Integrated Risk Management ultimately involves building a picture of what the risk is in our community in terms of people, incidents and resources and assessing the impact of a number of varied resource scenarios. It is the continuous assessment of how we deliver our services via prevention, protection and response strategies.

Areas analysed:

ESFRS Individuals/Communities

- Socio-demographics
- Economy
- Vulnerability
- Community profiling

ESFRS Response Resources

- Location of fire stations
- Service response times
- Appliance availability
- Service resilience

ESFRS – Staff

- Shift systems
- Resources available in relation to demand
- Health & Safety

ESFRS Incidents

- Type, frequency and severity of incidents

ESFRS Financial

- Finance provision/funding
- Station costs
- Efficiency savings available

Toolkits/software used:

Fire Service Emergency Cover (FSEC) toolkit

The Fire Service Emergency Cover (FSEC) toolkit is essentially a system that was provided by Central Government to all Fire & Rescue Services in England to assist development of their IRMPs. FSEC is a risk assessment toolkit to enable FRSs to best match risk and resources and can predict and model potential changes in risk, based on a number of factors.

Active Total Solution Mapping (TSM) and Phoenix software

Active is a suite of products which includes TSM and Phoenix. They enable ESFRS to model hypothetical planning scenarios and the impact of any changes in terms of response and workload.

MOSAIC profiling (Experian)

Mosaic is a large dataset supplied to ESFRS by Experian. Mosaic gives detailed lifestyle, socio-demographic and behavioural information for each household within East Sussex and the City of Brighton & Hove, to help us better identify, understand and meet our customers' needs.

Period of Data:

5 years from April 2008 to March 2013.

Data Sources:

Incident Recording System (IRS) for incident data

Fire Damage Reports (FDR1) for incident data

Census 2011 for population and FSEC data

Indices of Multiple Deprivation 2010 for population and risk data

MOSAIC profiling (Experian) for population and risk data

Appendix D – Proposals for Consultation in Detail

PHASE 2 - Proposals which may have a greater impact on individuals and possibly service users as they propose major changes to service provision but have had to be developed in order to allow the Authority to make the bulk of the savings required by 2017/18. A number of these proposals will require external consultation.

PHASE 3 - Areas for further review and investigation where formal proposals for change and potential savings will be brought to Members for approval during 2014/15, with the expectation that further savings can be realised from 2015/16 onwards.

Phase Two

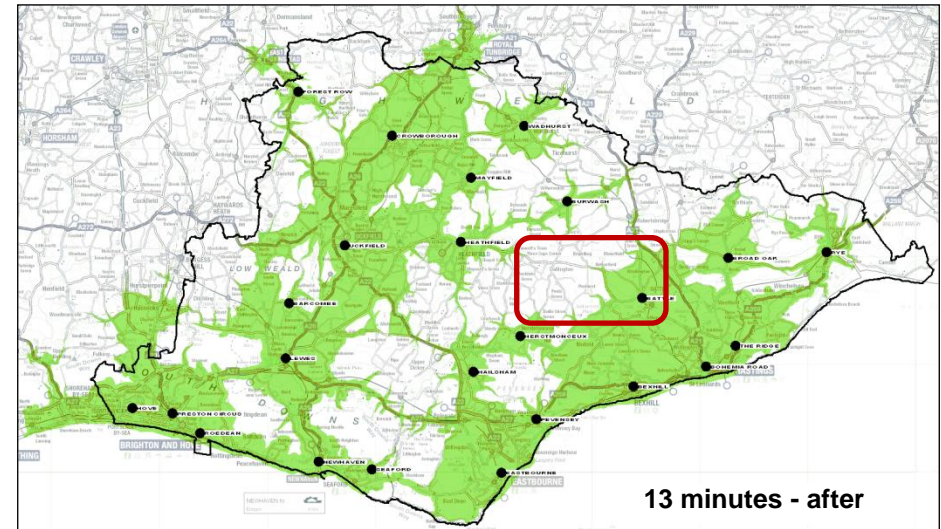
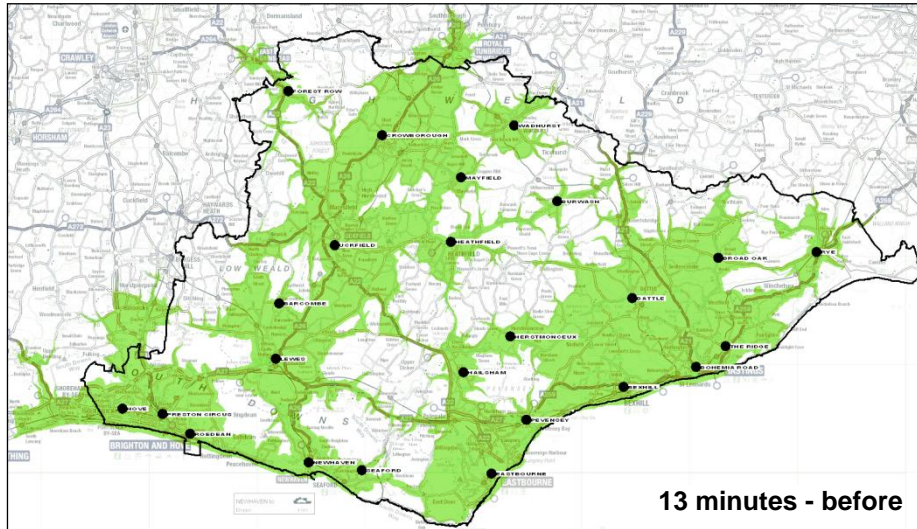
PHASE 2		Proposals which may have a greater impact on individuals and possibly service users as they propose major changes to service provision but have had to be developed in order to allow the Authority to make the bulk of the savings required by 2017/18. A number of these proposals will require external consultation.	Estimated Savings £'000				
			2014/15	2015/16	2016/17	2017/18	2018/19
Proposal 1	Response	Remove one pumping appliance from the City, leaving 4 wholetime crewed pumps including an ARP, thereby reducing the establishment by 24 posts (four posts taken through the introduction of Locality Managers, see Proposal 5 above).	0	0	917	917	1,066
Proposal 2A	Response	Convert Battle Fire Station from wholetime (Day Crewed) to the new Day Crewed Duty System, providing additional response to Hastings, and remove the Retained Duty System appliance at The Ridge Fire Station.	0	14	14	14	14
Proposal 2B	Response	Convert Battle Fire Station from wholetime (Day Crewed) to a retained duty system station, reducing the establishment by 9 wholetime posts.	0	200	200	200	200
Proposal 3	Response	Introduce Day Crewed Plus at Roedean and The Ridge Fire Stations, reducing the establishment by 20 posts (eight posts taken through the introduction of Locality Managers, see Proposal 5 above).	0	108	432	432	432
		Total estimated savings with proposal 2A	0	122	1,363	1,363	1,512
		Total estimated savings with proposal 2B	0	308	1,549	1,549	1,698
Consultation required?	Full internal and external consultation.						

Headline Analysis on Phase 2 Proposals

ESFRS currently deploys a total of 35 pumping appliances across East Sussex and the City of Brighton & Hove to attend a wide range of fire and/or rescue incidents. The following analysis provides headline impact analysis for these proposals:

Performance





The maps above show the areas that can currently be reached within our 8 and 13 minute attendance standards for life-threatening incidents. See Appendix B for full definition of these standards.

Proposal 1 makes no change to the area covered within the standards for the 1st appliance. The coverage for the 2nd appliance would change slightly which would have a small impact on our performance but would still be within the service-wide attendance standards. The same applies for part (a) of Proposal 2.

The 'after' maps above show the impact of Proposal 2b which reduces the area covered within 8 and 13 minutes by Battle Fire Station. However, due to the low number of life-threatening incidents in this area, compared to the area under scrutiny in proposal 1, the impact on performance is minimal and still well within the service-wide attendance standards.

Proposal 3 does not affect performance or the attendance standards.

Life Risk

Over the past 10 years there have been, on average, 4.1 accidental fire deaths in dwellings and 18.5 RTC deaths per year, where ESFRS attend. The number of deaths in RTCs has decreased significantly over this 10 year period.

Proposal 1 is predicted to give rise to one additional fatality across the Service every 5-9 years, depending on which appliance is removed from the City, as shown below.

Resource Deployment Strategy	No. of Dwelling Fatalities per Year	1 Additional Dwelling Fire Fatality per N Years	No. of RTC Fatalities per Year	1 Additional RTC Fire Fatality per N Years	Total Fatalities per Year	1 Additional Fatality per N Years
Base Case (2008-2013)	4.142		17.088		21.230	
Appliance removed from Hove	4.155	74.8	17.185	10.3	21.340	9.1
Appliance removed from P. Circus	4.193	19.6	17.226	7.2	21.419	5.3

Proposal 2 is predicted to give rise to one additional fatality across the Service every 33-47 years, depending on whether part (a) or part (b) of the proposal is implemented, as shown below:

Resource Deployment Strategy	No. of Dwelling Fatalities per Year	1 Additional Dwelling Fire Fatality per N Years	No. of RTC Fatalities per Year	1 Additional RTC Fire Fatality per N Years	Total Fatalities per Year	1 Additional Fatality per N Years
Base Case (2008-2013)	4.142		17.088		21.230	
W09 Removed	4.144	454.8	17.116	36.2	21.260	33.5
Battle Fully Retained	4.144	467.3	17.107	51.9	21.251	46.7

Proposal 3 would have no impact on community risk.

[W09 = retained pump at The Ridge Community Fire Station]

Phase Three Reviews

Undertake a Full Review of Retained Establishment and Duty System and payments.

Commence the purchase of two Aerial Rescue Pumps for Hastings and the City of Brighton & Hove – following a review of the implementation of this appliance at Eastbourne in April 2014. If agreed, this would result in the introduction of the two appliances in 2017/18. This will reduce the firefighter establishment by 8.

Revisit the results of the Rural Review in the light of the Sussex Control Centre and dynamic mobilising to consider the future of the retained fire stations at Herstmonceux, Mayfield and Forest Row.

It is proposed to investigate the introduction of smaller appliances, where appropriate, with the correct personnel and equipment to manage the incidents being attended across the Service.

Review the Technical Rescue Unit capability and usage with a view to reducing to one unit at an optimum location with consequential savings on the capital programme and some revenue savings from reduced maintenance, fuel, training, etc.

Review the number of Flexible Duty System (FDS) Management Posts through the introduction of Retained Support Managers at Watch Manager Level.

Demand-led rostering – we will now consider the optimum resource level which provides adequate resources and response capability cover for the highest average daily demand, whilst considering where and when we are potentially over-resourced, thereby presenting an opportunity for improvement and potential savings.

Carry out a full review of our Schools Education programme.

It is proposed to review our current policy for call challenge and attending calls to automatic fire detection systems to reduce the number of unwanted calls and mobilisations and, at the same time, consider the appropriateness of recovering costs from the owner or operator of the premises/locations where the number of false alarm calls is high.

Investigate the benefits of the provision of a new Day Crewed Plus Fire Station in the Uckfield area and the impact on Crowborough Fire Station becoming a Retained Station, reducing the establishment by a further 14 posts.

Investigate the benefits of the provision of a new Day Crewed Plus Fire Station in Lewes and removing the retained appliance at Lewes.

Review the provision of offshore Maritime Response.

Review the provision of Large Animal Rescue Capability to Kent Fire & Rescue Service.

NB Phase 3 will also include reviews of non-operational services not already subject to internal review or reviews with partners.

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**

Title: **Fire Authority Treasury Management Strategy 2014/15**

By: **Treasurer**

Purpose of report: **To approve the treasury management strategy, policy statement and the Minimum Revenue Provision (MRP) Statement 2014/15.**

RECOMMENDATIONS: The Fire Authority is recommended to:

- (i) approve the treasury management strategy and policy statement for 2014/15 (and adopted for the remainder of 2013/14);
 - (ii) determine that for 2014/15 the Authorised Limit for borrowing shall be £13.982m;
 - (iii) adopt the prudential indicators as set out in the attached Appendix 2; and
 - (iv) approve the Minimum Revenue Provision (MRP) Statement for 2014/15 as set out in the attached Appendix 3.
-

MAIN ISSUES

1. MAIN ISSUE

- 1.1 This report contains recommendations on borrowing limits, the prudential indicators and limits, the investment strategy and policy as required by Section 3 (1) of the Local Government Act 2003 and the Prudential Code for Capital Finance 2004.
- 1.2 The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the proposed capital programme and revenue budget dealt with elsewhere on the agenda. As will be clear from the global events, it is impossible in practical terms to eliminate all credit risk. The Fire Authority seeks to be prudent.
- 1.3 The Authority is recommended to approve borrowing limits to give flexibility for any future consideration in undertaking new external long-term/replacement borrowing should the need arise or market conditions prove favourable.

- 1.4 The 2014/15 counterparty list for specified and non-specified investment is set out in the Appendices 4 and 6.
- 1.5 The Fire Authority has always adopted a prudent approach on its investment strategy and in the last few years, there have been regular changes to the list of the approved organisations used for investment of short term surpluses. This list is regularly reviewed to ensure that the Authority is able to invest at the best available rates consistent with low risk; the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained. The 2014/15 strategy continues the prudent approach and ensures that all investments were only to the highest quality rated banks and only up to a period of one year.
- 1.6 The background information and the calculation of the Authorised Limit for borrowing for 2014/15 of £13.982m are set out in the attached Appendix 2 (Table 8).
- 1.7 Self-imposed Prudential and Treasury Management indicators that are set on an annual basis are shown in Appendix 2
- 1.8 The Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) statement is set out in Appendix 2 and 3 to comply with best practice.
- 1.9 The Treasury Management policy statement for 2014/15 remains unchanged from the current year and is set out in Section 5.

Duncan Savage

TREASURER

5 February 2014

Background Papers:

Fire Authority

7 February 2013 Treasury Management Strategy for 2013/14

6 June 2013 Treasury Management Stewardship Report 2012/13

Policy & Resources Panel

14 November 2013 Half year review for 2013/14

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services - Code of practice

Local Government Act 2003 Local Government Investments - Guidance from the former Office of the Deputy Prime Minister

1. **INTRODUCTION**

1.1 The CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) requires authorities to set the Treasury Management Strategy Statement (TMSS) for borrowing and to prepare an Investment Strategy each financial year. CIPFA has defined Treasury Management as:

“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2 This strategy takes into account the impact of the Authority’s Revenue Budget, Medium Term Capital Programme and the Balance Sheet position. The Prudential Indicators and the outlook for interest rates are also considered within the strategy.

1.3 The Treasury Management Strategy for 2014-15 covers the following areas:

- economic overview (section 2);
- the treasury position (section 3);
- the borrowing strategy to finance the capital plans (section 4);
- the investment strategy (section 5);
- the Minimum Revenue Provision (MRP) strategy (section 6); and
- policy on use of external service provider (section 7);

1.4 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is shown in Appendix 1.

2. **ECONOMIC OVERVIEW**

2.1 The Authority uses Capita Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Table 2 below gives the Capita Asset Services central view for short term (Bank Rate) and longer fixed interest rates.

Table 2

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.40	4.40
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.50	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.20	5.00	5.10
Jun 2016	0.50	3.30	5.10	5.20

- 2.2 Until 2013, the economic recovery in the UK since 2008 had been the worst and lowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.
- 2.3 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:
- Although Eurozone concerns have subsided in 2013, 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;
 - Investment returns are likely to remain relatively low during 2014/15 and beyond;
 - Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;

- 2.4 Given the current low rates of interest available, the Authority has given consideration to possible future tranches of borrowing. In the short term this may lead to a 'cost of carry' as the interest rate on debt is higher than the rate at which we are earning interest on investments. However, from a medium to long term perspective, borrowing at these levels will save the Authority money as forecasts for borrowing rates increase due to inflationary pressures in the system.

3. TREASURY MANAGEMENT POSITION

- 3.1 The Authority's projected treasury portfolio position at 31 March 2014, with forward estimates is summarised in Table 1 below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing

Table 1

	2013/14	2014/15	2015/16	2016/17
	Projected	Estimate	Estimate	Estimate
	£000	£000	£000	£000
External Borrowing				
Borrowing at 1 April	11,123	11,123	11,123	10,973
New Borrowing	-	-	-	-
Loan Redemption	-	-	(150)	-
Actual borrowing at 31 March	11,123	11,123	10,973	10,973
*CFR – the borrowing need	11,122	11,123	10,973	10,973
Under/(over) borrowing	(1)	-	-	-

**The Authority's Capital Financing Requirement (CFR) is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Authority's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.*

- 3.2 Within the set of prudential indicators there are a number of key tests to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its total borrowing, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current and next two financial years.
- 3.3 The CFR forecast at the end of 2013/14, for the Authority is £1,208 over borrowed and this then reduces to £nil in future years and then remains in line with actual borrowing, after the repayment of debt and longer-term loan redemptions. The Authority is required to repay an element of the CFR each year through a revenue charge called the minimum revenue provision (MRP).
- 3.4 The Authority has a number of long-term loans and could aim to reschedule these loans if interest rates increase and the premature repayment rates become favourable.

3.5 Any future loans will be arranged giving consideration to the various debt repayment options, including an Equal Instalments of Principal (EIP) arrangement, where each payment includes an equal amount in respect of loan principal. Therefore the interest due with each payment reduces as the principal is eroded, and the total amount reduces with each instalment.

4. **BORROWING STRATEGY**

4.1 This strategy is prudent as investment returns are low and counterparty risk is high, however as interest rates are low the Authority may wish to take advantage of this by securing fixed rate funding and increase the over borrowed position.

4.2 The net borrowing requirement within Table 1 above shows that, based on current estimates, the Authority does not currently need to take out a significant amount of 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 Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Policy on Borrowing in Advance of Need

4.3 The Authority will not borrow purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

4.4 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the reporting mechanism.

Prudential & Treasury Indicators

4.5 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the CIPFA Prudential Code) when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code in early 2008 with a fully revised version being published in 2009 to incorporate changes towards implementing IFRS.

4.6 A full set of Prudential Indicators and borrowing limits is shown in Appendix 2.

Debt Rescheduling

- 4.7 Treasury staff continue to regularly review opportunity for debt rescheduling, but there has been a considerable widening of the difference between new borrowing and repayment rates, which has made Public Works Loan Board (PWLB) debt restructuring now much less attractive. Consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBO (Lenders Option Borrowers Option) loans, and other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.
- 4.8 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).
- 4.9 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.
- 4.10 All debt rescheduling will be agreed by the Treasurer.

Sensitivity of the Forecast and Risk Analysis

- 4.11 Treasury management risks are identified in the Authority's approved Treasury Management Practices, the main risks to the Authority's treasury activities are:
- liquidity risk (inadequate cash resources);
 - market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
 - inflation risks (exposure to inflation);
 - credit and counterparty risk (security of investments);
 - refinancing risks (impact of debt maturing in future years); and
 - legal and regulatory risk (non-compliance with statutory and regulatory requirements, risk of fraud).

4.12 Officers, in conjunction with the treasury advisers, will monitor these risks closely. Particular focus will be applied to:

- the global economy – indicators and their impact on interest rates will be monitored closely. Investment and borrowing portfolios will be positioned according to changes in the global economic climate; and
- counter-party risk – the Authority follows a robust credit worthiness methodology and continues to monitor counterparties and sovereign ratings closely particularly within the Eurozone.

5. **INVESTMENT STRATEGY**

5.1 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.

5.2 Investment instruments identified for use in the financial year are listed in section 5.15 and 5.18 under the 'Non-Specified and Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

Credit worthiness Policy

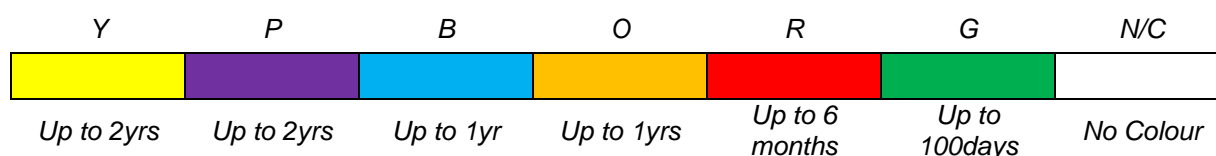
5.3 Officers regularly review the investment portfolio, counterparty risk and construction, market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well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

5.4 Additionally, 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.

5.5 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 only to use counterparties (Appendix 6) within the following durational bands provided they 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



5.6 The Capita Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

5.7 Typically the minimum credit ratings criteria the Authority use, will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.8 All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services credit worthiness service.

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

5.9 The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified investment sections; and
- It has sufficient liquidity in its investments.

5.10 The Capita Asset Services methodology was revised in October 2013 and determines the maximum investment duration under the credit rating criteria. Key features of Capita Asset Services credit rating policy are:

- a mathematical based scoring system is used taking ratings from all three credit rating agencies;
- negative and positive watches and outlooks used by the credit rating agencies form part of the input to determine a counterparty's time band (i.e. 3, 6, 9, 12 months etc.).
- CDS spreads are used in Capita Asset Services creditworthiness service as it is accepted that credit rating agencies lag market events and thus do not provide investors with the most instantaneous and "up to date" picture of the credit quality of a particular institution. CDS spreads provide perceived market sentiment regarding the credit quality of an institution.
- After a score is generated from the inputs a maximum time limit (duration) is assigned and this is known as the Capita Asset Services colour which is associated with a maximum suggested time boundary.

5.11 The Capita Asset Services colours and the maximum time periods are shown para 5.5 above. In the Capita Asset Services methodology if counterparty has no colour then they are not recommended for investment and this would remove these counterparties from the Authority's counterparty list.

5.12 Whilst the Capita Asset Services methodology categorises counterparty time limits up to two years, the Authority's policy remains only to make investments up to a maximum of one year.

UK and Non UK Country Limits

5.13 The Authority has determined that it will only use approved counterparties based in the UK.

- 5.14 The UK continues to enjoy an AA+ sovereign rating. However the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years.

Specified Investments

- 5.15 An investment is a specified investment if all of the following apply:

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 1 year);
- the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- the investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
 - The United Kingdom Government;
 - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; and
 - High credit quality is defined as a minimum credit rating as outlined in section 5.15 of this strategy.

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

- Table 3 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. A detailed list of each investment type is available in the Treasury Management Practices guidance notes;
- all investments will be within the UK or AAA sovereign rated countries if an appropriate opportunity arises.

5.17 Criteria for Specified Investments:

Table 3

Counterparty	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Counterparties in UK				
Debt Management and Deposit 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	£3m	1 yr
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK		£3m	1 yr
Barclays	UK		£3m	1 yr
Santander UK	UK		£3m	1 yr
HSBC	UK		£3m	1 yr
Individual Money Market Funds	UK/Ireland/ domiciled	AAA rated Money Market Funds	£3m	Liquidity/instant access

Non Specified Investments

5.18 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.

Investment Position and Use of Authority's Resources

5.19 Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.00%

5.20 There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

5.21 The Capita Asset Services suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.00%
- 2017/18 2.00%

5.22 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

5.23 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates (i.e. rates for investments up to 12 months).

5.24 For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

6. **MINIMUM REVENUE PROVISION**

6.1 The Authority is required to repay an element of the CFR through a revenue charge (MRP), although it is also allowed to undertake additional voluntary payments if required.

6.2 CLG Regulations have been issued which require The Fire Authority to approve an MRP Statement in advance of each year. A variety of options are provided to authorities, so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3.

6.3 The Authority, in conjunction with its Treasury Management advisors, has considered the MRP policy to be prudent.

7. **POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS**

7.1 The Authority uses Capita Asset Services as its external treasury management advisors.

7.2 The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

- 7.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8. **BACKGROUND DOCUMENTS**

Fire Authority
7 February 2013 Treasury Management Strategy for 2013/14
6 June 2013 Treasury Management Stewardship Report 2012/13

Policy & Resources Panel
14 November 2013 Half year review for 2013/14

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services - Code of practice

Local Government Act 2003 Local Government Investments - Guidance from the former Office of the Deputy Prime Minister

9. **LIST OF APPENDICES**

- Appendix 1: Treasury Management Scheme of Delegation
Appendix 2: The Prudential & Treasury Indicators
Appendix 3: Minimum Revenue Provision (MRP) Policy Statement
Appendix 4: Approved countries for investments
Appendix 5: Comment from Capita Asset Services on the outlook for 2014/15
Appendix 6: New Counterparty list

Treasury Management Scheme of Delegation

1. Fire Authority

1.1 In line with best practice, The Fire Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are:

a) Prudential and Treasury Indicators and Treasury Strategy (This report)

The first and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

b) **A Mid-Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and indicating whether the treasury strategy is meeting the strategy or whether any policies require revision.

c) **An Annual Treasury Management Stewardship Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2. The Treasury Management Role of the Section 151 Officer

2.1 The Section 151 (responsible) Officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.

3. Training – Treasury Management training for Authority members will be delivered as required to facilitate more informed decision making and challenge processes.

APPENDIX 2

1. The Prudential and Treasury Indicators

- 1.1 The Fire Authority's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.
- 1.2 **Capital Expenditure.** This prudential Indicator shows the Authority's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. Capital expenditure excludes spend on PFI and leasing arrangements, which are now shown on the balance sheet.
- 1.3 The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Table 5

Description	2013/14 Projected	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	4.423	4.141	2.140	2.518	1.155
Financed by:					
Capital receipts	-	(2.374)	(1.845)	(2.079)	(0.916)
Capital grants	(2.334)	(1.321)	-	-	-
Revenue Financing	-	-	-	-	-
Capital Reserves	(1.100)	-	-	-	-
Net financing need for the year	0.989	0.446	0.295	0.439	0.239

- 1.4 The Authority's borrowing need (the Capital Financing Requirement) - The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 1.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.
- 1.6 Following accounting changes, the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought on the balance sheet. Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility and so the Authority is not required to separately borrow for these schemes. As of 31st March 2013 the Authority had no finance leases or PFI Schemes.

Table 6

	2013/14 Projected	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Capital Financing Requirement					
	£m	£m	£m	£m	£m
Opening CFR	10.578	11.122	11.123	10.973	10.973
Net Financing (as above)	0.989	0.446	0.295	0.439	0.239
MRP	(0.445)	(0.445)	(0.445)	(0.439)	(0.439)
Closing CFR	11.122	11.123	10.973	10.973	10.773

- 1.7 **The Operational Boundary.** This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Table 7

Description	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Borrowing	11.590	11.590	11.440	11.440	11.240
PFI/Leases	-	-	-	-	-
Total	11.590	11.590	11.440	11.440	11.240

- 1.8 **The Authorised Limit for external borrowing.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all authority's plans, or those of a specific authority, although this power has not yet been exercised; and
- The Authority is asked to approve the following Authorised Limit:

Table 8

Description	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Borrowing	13.982	13.982	13.832	13.832	13.632
PFI/Leases	-	-	-	-	-
Total	13.982	13.982	13.832	13.832	13.632

2. Treasury Management Limits on Activity

- 2.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:
- upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
 - upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
 - maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Table 9

	2014/15	2015/16	2016/17
Interest rate exposures	Upper	Upper	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			
Maturity structure of fixed interest rate borrowing 2014/15			
	Lower	Upper	
Under 12 months	0%	25%	
12 months to 2 years	0%	40%	
2 years to 5 years	0%	60%	
5 years to 10 years	0%	80%	
10 years to 20 years	0%	80%	
20 years to 30 years	0%	80%	
30 years to 40 years	0%	80%	
40 years to 50 years	0%	80%	

- 2.2 **Affordability Prudential Indicators** - The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:
- 2.3 **Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 10

Description	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	%	%	%	%	%
Ratio	3.56	2.18	2.34	2.45	2.38

2.4 **Estimates of the incremental impact of capital investment decisions on council tax.** This indicator identifies the revenue costs associated with proposed changes to the four year capital programme recommended in this budget report compared to the Authority's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a four year period.

2.5 **Incremental impact of capital investment decisions on the band D council tax**

Table 11

Description	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£	£	£
Council tax – Band D	0.04	0.17	0.39

3. Treasury Management Budget

Table 12

Description	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Interest Payable	0.514	0.514	0.510	0.506	0.504
Interest Receipts	(0.107)	(0.052)	(0.052)	(0.052)	(0.052)
Minimum Revenue Provision	0.445	0.445	0.445	0.439	0.439
TOTAL	0.852	0.907	0.903	0.893	0.891

3.1 Assumptions behind the 2014/15 Budget:

- average rates achievable on investments will be as follow –

Table 13

	2013/14 %	2014/15 %	2015/16 %	2016/17 %	2017/18 %
Investment Return - Rate	0.50	0.50	0.50	1.00	1.25

Minimum Revenue Provision Policy Statement

1. Policy Statement

- 1.1 The statutory requirement for local authorities to charge the Revenue Account each year with a specific sum for debt repayment has been replaced with a more flexible statutory guidance. A variety of options is provided to authorities to replace the existing Regulations, so long as there is a prudent provision.
- 1.2 The statutory duty is that a local authority shall determine for the financial year an amount of minimum revenue provision (MRP) that it considers to be prudent. This replaces the previous prescriptive requirement that the minimum sum should be 4% of the Authority's Capital Financing Requirement (CFR).
- 1.3 To support the statutory duty the Government also issued a guidance, which requires that a Statement on the Authority's policy for its annual MRP should be submitted to The Fire Authority for approval before the start the financial year to which the provision will relate. The Authority is therefore legally obliged to have regard to this MRP guidance in the same way as applies to other statutory guidance such as the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG guidance on Investments.
- 1.4 The MRP guidance offers four options under which MRP might be made, with an overriding recommendation that The Fire Authority should make prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).
- 1.5 The guidance also requires an annual review of MRP policy being undertaken and it is appropriate that this is done as part of this Annual Treasury Management Strategy.
- 1.6 The move to International Financial Reporting Standards (IFRS) involves Private Finance Initiative (PFI) contracts and potentially some leases (being reclassified as finance leases instead of operating leases) coming onto the Balance Sheet as long term liabilities. The accounting treatment would impact on the Capital Financing Requirement with the result that an annual MRP provision would be required.
- 1.7 To ensure that this change has no overall financial impact on Local Authorities, the Government has updated their "Statutory MRP Guidance" which allows MRP to be equivalent to the existing lease rental payments and "capital repayment element" of annual payments to PFI Operators. The implications of these changes are now being reflected in the Authority's MRP policy for 2014/15.
- 1.8 The policy recommended for adoption from 1 April 2014 retains the key elements of the policy previously approved but now incorporates the IFRS changes (re PFI and finance leases) and the consequential updated Government Guidance. The policy for 2014/15 is therefore as follows:-
- 1.9 For capital expenditure incurred before 1 April 2008 or which in the future will be Government Supported Capital Expenditure, the MRP policy will be:
 - Based on based on the non-housing CFR, i.e., The Authority currently set aside a Minimum Repayment Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR.

- 1.10 From 1 April 2008 for all unsupported borrowing the MRP policy will be:
- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option will be applied for any expenditure capitalised under a Capitalisation Direction).
 - Asset Life Method (annuity method) The Authority will also be adopting the annuity method, - MRP calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. The policy is being adopted as a result of any PFI's assets coming on the balance sheet and any related MRP will be equivalent to the "capital repayment element" of the annual service charge payable to the PFI Operator and for finance leases, MRP will also be equivalent to the "capital repayment (principal) element" of the annual rental payable under the lease agreement. It should be noted that the Authority do not currently have any PFI assets or finance leases.

Under both methods, the Authority has the option to charge more than the statutory MRP each year through a Voluntary Revenue Provision (VRP).

- 1.11 This approach also allows the Authority to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset becomes operational rather than in the year borrowing is required to finance the capital spending. This approach is beneficial for projects that take more than one year to complete and is therefore included as part of the MRP policy. Half-yearly review of the Authority's MRP Policy will be undertaken and reported to Members as part of the Half-yearly Treasury Management Strategy review.

Illustrative list of Approved Countries for Investments

The list below shows the countries that would currently meet these criteria:

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- U.K.

Note: There are three other countries with AA+, but the Authority will only be using UK because we have the best understanding of the UK market.

Capital Assets Services (our Treasury advisors) on the Economic Background outlook for 2014/15

1. The Global Economy

1.1 The Eurozone. The sovereign debt crisis has eased during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out, has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of 176% Greece, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Many commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in getting a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy.

1.2 USA. The economy has managed to return to reasonable growth in Q2 2013 of 2.5% y/y in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve has continued to provide huge stimulus to the economy through its \$85bn per month asset purchases programme of quantitative easing. However, it is expected that this level of support will start to be tapered down by the end of 2013. It has also pledged not to increase the central rate until unemployment falls to 6.5%; this is probably unlikely to happen until early 2015. Consumer, investor and business confidence levels have improved markedly in 2013.

The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have therefore been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

1.3 China. Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

1.4 Japan. The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and introduce other economic reforms, appears to have stalled. However, at long last, Japan has seen strong growth of 4% in the first two quarters of 2013 which portends well for the hopes that Japan can escape from the bog of stagnation and help support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and will fall from 128m to 100m by 2050.

2. The UK Economy

2.1 Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 (+0.3%) and 2 (+0.7%) of 2013 to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The August 2013 Bank of England Inflation Report consequently upgraded growth forecasts for 2013 from 1.2% to 1.4% and for 2014 from 1.7% to 2.5%. However, Bank Governor Mark Carney put this into perspective by describing this welcome increase as not yet being “escape velocity” to ensure we return to strong AND sustainable growth. So very encouraging - yes, but, still a long way to go! However, growth is expected to be strong for the immediate future. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

- 2.2 Forward guidance.** The Bank of England also issued forward guidance with this Inflation Report which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years. The UK unemployment rate currently stands at 2.5 million i.e. 7.7 % on the LFS / ILO measure. The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the latest Inflation Report noted that productivity had sunk to 2005 levels. There has therefore been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment. The forecast in this report for Bank Rate not to start increasing until quarter 3 of 2016 is based on a slow reduction of unemployment, (in line with the Bank of England's forecast), and contrary to the prevalent market view where rates are indicating that Bank Rate is expected to start going up in early 2015.
- 2.3 Credit conditions.** While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), FLS is also due to be bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties, which is now due to start in October 2013. While there have been concerns that these schemes are creating a bubble in the housing market, the housing market remains weak outside of London and the south-east with a significant increase in house prices either being entirely absent or minimal. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.
- 2.4 Inflation.** Inflation has fallen from a peak of 3.1% in June 2013 to 2.7% in September. It is expected to fall back to reach the 2% target level within the two year horizon.
- 2.5 AAA rating.** The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

3. Capita Asset Services forward view

- 3.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.
- 3.2 Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid-October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.
- 3.3 The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.
- 3.4 The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.
- 3.5 Downside risks currently include:
- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England's forecasts
 - Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
 - A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
 - The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
 - The Italian political situation is frail and unstable.
 - Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
 - Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
 - Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.

- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

3.6 The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rise to levels that undermine investor confidence in the UK and UK debt.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Appendix 6 - Counterparty list Bank	Country	Fitch Ratings				Moody's Ratings			S & P Ratings		CDS Price	Fire Authority Duration (Months)	Capita Duration Limit (Months)	Money Limit (£m)
		L Term	S Term	Viab.	Supp.	L Term	S Term	FSR	L Term	S Term				
Lloyds Banking Group:														} 3
Lloyds Bank Plc	UK	A	F1	bbb+	1	A3	-	-	A-	A-2	84.5	12	12	
Bank of Scotland	UK	A	F1	-	1	A2	P-1	D+	A	A-1	-	12	12	} 3
RBS/NatWest Group:														
NatWest Bank	UK	A	F1	-	1	A3	P-2	D+	A-	A-2	-	12	12	} 3
Royal Bank of Scotland	UK	A	F1	Bbb	1	A3	P-2	D+	A-	A-2	124.7	12	12	
HSBC Bank	UK	AA-	F1+	a-	1	Aa3	P-1	C	AA-	A-1+	-	12	12	3
Barclays Bank	UK	A	F1	a	1	A2	P-1	C-	A	A-1	103.8	3	3	3
Santander UK plc (not Spanish Santander)	UK	A	F1	a	1	A2	P-1	C-	A	A-1	-	3	3	3

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**

Title: **Pay Policy Statement for 2014/15**

By: **Monitoring Officer**

Purpose of Report: **To approve the Fire Authority's Pay Policy statement for the period 1 April 2014 to 31 March 2015.**

RECOMMENDATION: The Fire Authority is asked to approve the Pay Policy Statement set out in Appendix 1 to the report.

MAIN ISSUES

The Localism Act 2011 imposes a duty on relevant local authorities to prepare pay policy statements for each financial year, beginning with 2012/13. The statement must be approved by 31 March 2014.

Abraham Ghebre-Ghiorghis
MONITORING OFFICER

17 January 2014

1. **BACKGROUND**

- 1.1 In the Coalition Agreement, the Government made a commitment to strengthen councillors' powers to vote on large salary packages for council officers. Additionally, the Government has taken steps to increase transparency about how taxpayers' money is used, including in the pay of public sector staff. On 29 September 2011, the Secretary of State published the Code of Recommended Practice for Local Authorities on Data Transparency. The Code enshrines the principles of transparency and asks public bodies to follow the principles when publishing data; responding to public demand; releasing data in open formats available for re-use and releasing data in a timely way. This includes data on senior salaries and the structure of the workforce. In June 2010, the Government asked Will Hutton to undertake an independent review of Fair Pay in the public sector. His report was published in March 2011 and made several recommendations for promoting pay fairness in the public sector. Chapter 8 of Part 1 of the Localism Act 2011 (the Act) brings those strands together.
- 1.2 Section 38 of the Act places a requirement on a relevant authority (which term includes a Combined Fire Authority) to prepare a pay policy statement for the financial year 2012-13 and each subsequent financial year. A pay policy statement must set out the authority's policies for the financial year relating to:
- The remuneration of its chief officers
 - The remuneration of its lowest paid employees
 - The relationship between the remuneration of its chief officers and that of other employees who are not chief officers.

The statement must include the definition of 'lowest paid employees' adopted by the authority for the purposes of the statement, together with the authority's reasons for adopting that definition.

- 1.3 The statement must include the authority's policies relating to:
- The level and elements of remuneration for each chief officer
 - Remuneration of chief officers on recruitment
 - Increases and additions to remuneration for each chief officer
 - The use of performance-related pay for chief officers
 - The use of bonuses for chief officers
 - The approach to the payment of chief officers on their ceasing to hold office under or being employed by the authority, and
 - The publication of and access to information relating to the remuneration of chief officers.

It may also include the authority's policies for the financial year relating to other terms and conditions applying to its chief officers.

- 1.4 The term remuneration in relation to a chief officer is defined by the Act as:
- The chief officer's salary or, in the case of a chief officer engaged by the authority under a contract for services, payments made by the authority to the chief officer for those services
 - Any bonuses payable by the authority to the chief officer
 - Any charges, fees or allowances payable by the authority to the chief officer
 - Any benefits in kind to which the chief officer is entitled as a result of the chief officer's office or employment
 - Any increase in or enhancement of a chief officer's pension entitlement where the increase is as a result of a resolution of the authority, and
 - Any amounts payable by the authority to the chief officer upon the chief officer ceasing to hold office under or being employed by the authority, other than amounts that may be payable by virtue of any enactment.
- 1.5 The Act prevents approval of a pay policy statement being delegated by the Authority to a Panel. The Fire Authority's first pay statement was approved and published in accordance with the guidance by 31 March 2012.
- 1.6 The Authority is asked to approve the Statement attached as Appendix 1, which has been drawn up with due regard to all relevant guidance and last year's policy.

EAST SUSSEX FIRE AUTHORITY PAY POLICY STATEMENT 2014-15

1. Introduction

- 1.1 In accordance with the Localism Act 2011 (Chapter 8 Sections 38 to 43), East Sussex Fire Authority is required to produce a pay policy for the financial year 2012/13 and each subsequent financial year.
- 1.2 Any decision under powers delegated in the Authority's Constitution with regard to remuneration to be taken in 2014/15 will be bound by, and must comply with, this Statement.
- 1.3 The ACO (POD) must be consulted prior to any decision impacting on remuneration where there is any question regarding compliance with the Statement.
- 1.4 In general terms, the Fire Authority recognises terms and conditions negotiated nationally by the National Employers with the National Employees' bodies for 3 distinct staff groups. These are:
 - 1.4.1 National Joint Council for Brigade Managers (referred to within East Sussex Fire Authority as Principal Officers) of Local Authority Fire and Rescue Services (commonly referred to as 'Gold Book')
 - 1.4.2 National Joint Council for Local Government Services (commonly referred to as 'Green Book')
 - 1.4.3 National Joint Council for Local Authority Fire and Rescue Services (commonly referred to as 'Grey Book')
- 1.5 Under the definitions provided for within the Act, the officers included in this pay statement are the Chief Fire Officer & Chief Executive (CFO&CE), Deputy Chief Fire Officer (DCFO), Assistant Chief Fire Officer and Assistant Chief Officer (People & Organisational Development) collectively referred to as the Principal Officers. The Treasurer is also included under these definitions as an employee of this Authority from the financial year 2013/14.
- 1.6 The Monitoring Officer is an employee of another Local Authority and their details are covered by a separate pay policy statement.
- 1.7 The Fire Authority has delegated responsibility for any local terms and conditions, including remuneration for Principal Officers, to the Principal Officer Appointments Panel.
- 1.8 Information relating to Principal Officers' pay and benefits in kind is found in the Fire Authority's Annual Statement of Accounts (relevant table appended to this statement) as set out in this document and on the Authority's website.

2. Objectives of the Policy

- 2.1 To ensure that the Fire Authority creates and sustains a competent, motivated and well-led workforce; to meet current and future organisational needs and to be an employer of choice with improved working practices, work life balance, personal development, health and well-being and fair pay. In its People and Organisational Development Strategy, the Fire Authority has committed to striving to achieve fairness in pay and reward structures across all occupational groups, taking into account all the employment relationships which exist.
- 2.2 Changes from national negotiations generally take place in January of each year (Gold Book), April (Green Book) and July (Grey Book). The Fire Authority's policy is to implement national agreements.
- 2.3 There was a pay increase of 1% in April 2013 for Green Book staff and July 2013 for Grey Book staff.
- 2.4 In addition to pay, the national agreements cover other terms and conditions such as annual leave and allowances for use of private vehicles on Authority business. The Authority pays car allowances in accordance with these national scales.
- 2.5 There are three pension schemes in existence: the Firefighters' Pension Scheme (which became closed to new entrants in 2006), the New Firefighters' Pension Scheme and the Local Government Pension Scheme.
- 2.6 All employees may join a pension scheme which is relevant to their occupational group. The operative schemes are statutory schemes with contributions from employers and employees.
- 2.7 The Local Government Pension Scheme provides for flexible retirement which was approved by the Fire Authority in 2011/12. The Firefighters' Pension Scheme allowed for re-engagement; this was introduced as an interim policy in 2008 for a fixed period to meet a specific operational requirement. This policy has now ceased.
- 2.8 There are two job evaluation schemes (Local Government Job Evaluation Scheme and Job Evaluation for Grey Book). These schemes do not apply to the Principal Officers whose salaries were independently evaluated by an HR Consultant in March 2010 and are single point salaries that were approved by the Fire Authority. There are three pay grades for Grey Book staff (trainee, in development and competent); and a spinal column system for Green Book staff, where the policy is to start any appointee on the lowest point of the pay grade, save for where an applicant brings specific skills or experience to a post, to a maximum of 2 points.

- 2.9 A lease car scheme exists on a limited basis for Principal Officers, Directors, Heads of Functions and those staff who undertake over 4,000 business miles per annum.
- 2.10 Relocation packages are available to staff conditioned to the day crewing system to enable service houses to be vacated by 31 March 2015.
- 2.11 Professional fees and subscriptions are met where the requirement is an essential criterion of the post, irrespective of the staff group.
- 2.12 Delegated powers for the payment of honoraria lie with the CFO&CE. These are for special merit up to the value of £500 (excluding management posts) or for Green Book staff who temporarily undertake the full or partial duties of a higher grade post. None has been paid in the previous financial year.
- 2.13 Recruitment for permanent vacancies is subject to a formal business case which must be approved by the Corporate Management Team.

3. **Individual Officers**

- 3.1 The CFO&CE is conditioned to the Gold Book terms and conditions of service. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, a facility exists for the CFO&CE to present a case to the Panel for a salary increase based on evidence, the overall performance of East Sussex Fire & Rescue Service and an annual appraisal. There has been no local uplift since January 2010.
 - 3.1.1 Under the existing provisions agreed by the Fire Authority, the CFO&CE has access to either a provided car, a fully funded car leased under the ESCC leasing arrangements or a management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive the management allowance.
 - 3.1.2 The remuneration for this post on recruitment is £134,931.
 - 3.1.3 The CFO&CE was re-engaged in 2009 under the provisions of a Fire Authority policy that was available to all staff in the Firefighters' Pension Scheme who met a certain eligibility criteria. This was an interim policy which had a life of two years and is no longer accessible. The post holder may be eligible to join an alternative pension scheme such as the New Firefighters' Pension Scheme or Local Government Pension Scheme, subject to eligibility requirements of the scheme.
 - 3.1.4 The relationship between the salaries of the CFO&CE and the Principal Officers is as follows: DCFO 80%, ACFO 75% and ACO 75% (less 20% reflecting the operational element of the salary).

- 3.2 The Deputy Chief Fire Officer (DCFO) is conditioned to the Gold Book terms and conditions of service and is a member of the Firefighters' Pension Scheme. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). There has been no local uplift since January 2010.
- 3.2.1 Under the existing provisions agreed by the Fire Authority, the DCFO has access to either a provided car, a fully funded car leased under the ESCC leasing arrangements or management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive a provided car.
- 3.2.2 The remuneration for this post on recruitment is £107,943.
- 3.2.3 The provisions for redundancy are the statutory payments for redundancy.
- 3.3 The Assistant Chief Fire Officer (ACFO) is conditioned to the Gold Book terms and conditions of service and is a member of the Firefighters' Pension Scheme. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). There has been no local uplift since January 2010.
- 3.3.1 Under the existing provisions agreed by the Fire Authority, the ACFO has access to either a provided car, a fully funded car leased under the ESCC leasing arrangements or management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive a management allowance.
- 3.3.2 The remuneration for this post on recruitment is £101,199.
- 3.3.3 The provisions for redundancy are the statutory payments for redundancy.
- 3.4 The Assistant Chief Officer (ACO) People & Organisational Development is conditioned to the Gold Book terms and conditions of service. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). There has been no local uplift since January 2010.
- 3.4.1 Under the existing provisions agreed by the Fire Authority, the ACO has access to either a fully funded car leased under the ESCC leasing arrangements or management allowance (12%) from which the post holder would be expected to provide a vehicle. The post holder has elected to receive a management allowance from April 2013 to replace the leased car for which a benefit in kind was applied and paid for by the post holder.

- 3.4.2 The remuneration for this post on recruitment is £84,330.
- 3.4.3 The post holder is a member of the Local Government Pension Scheme.
- 3.4.4 The post holder is entitled to discretionary entitlements in relation to redundancy which include average weekly pay with a multiplier of 1.75 applied and, in exceptional cases, augmentation of pensionable service to the maximum of 3 years. These provisions apply to all staff eligible to join the Local Government Pension Scheme.
- 3.4.5 The Treasurer is conditioned to the Gold Book terms and conditions of service. Under these national terms, provision is made for an annual uplift which is agreed at national level between the national employers and employees. At a local level, the CFO&CE can present a case to the Principal Officers' Appointments Panel for salary increase (see paragraph 3.1). There has been no local uplift since January 2010.
- 3.4.6 The remuneration for this post on recruitment is £84,330.
- 3.4.7 The post holder is a member of the Local Government Pension Scheme.
- 3.4.8 The post holder is entitled to discretionary entitlements in relation to redundancy which include average weekly pay with a multiplier of 1.75 applied and, in exceptional cases, augmentation of pensionable service to the maximum of 3 years. These provisions apply to all staff eligible to join the Local Government Pension Scheme.

4. **Pay Floor**

- 4.1 The definition of the 'lowest paid employee' is the post-holder receiving the lowest (FTE) annual salary (exclusive of Employer pension contributions), excluding Retained Firefighters.
- 4.2 The staff roles which fall into this category are our apprentices (two) who are employed under the national scheme and receive the minimum wage, which equates to £11,910 a year, and is uplifted in accordance with the national minimum wage increases.
- 4.3 The next pay floor level applies to our support staff administrators, where the annual full time equivalent salary starts at £15,597.
- 4.4 The median pay for 2012/13 was £28,410 and for 2013/14 it is £28,766.
- 4.5 The pay of the CFO&CE was 9.69 times the pay of the lowest paid worker (excluding apprentices) for 2013/14.
- 4.6 The following table provides information about the remuneration of those senior managers who influence the decisions of the Fire Authority as a whole:

Senior Employees' Remuneration

	Year	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances (including Benefit in Kind) £	Compensation of Loss of Employment £	Employer's Pension Contribution £	Total £
Chief Fire Officer & Chief Executive (Note 1)	2012/13	151,123	-	-	-	-	151,123
	2011/12	151,123	-	-	-	-	151,858
Deputy Chief Fire Officer	2012/13	107,943	-	-	-	22,992	130,123
	2011/12	107,791	-	-	-	22,992	130,783
Assistant Chief Fire Officer (Note 2)	2012/13	113,416	-	-	-	24,142	137,558
	2011/12	113,423	-	-	-	24,142	137,565
Assistant Chief Officer (POD)	2012/13	84,330	-	5,192	-	16,360	105,882
	2011/12	83,983	-	5,334	-	16,293	105,610
Assistant Chief Officer (Corporate Services) (Note 3)	2012/13	84,330	-	5,935	-	106,635	196,900
	2011/12	84,330	-	5,697	-	16,360	106,387

Note 4

Notes:

1. Pay includes a Management Allowance of 12% of annual salary.
2. Pay includes a Management Allowance of 12% of annual salary only applied in 2011/12
3. Retired on 31 March 2013. Pension Contributions includes augmentation costs of £90,275
4. Treasurer started on 18 March 2013. 0.7 fte post £59,031 per annum. Full-time salary £84,330.

EAST SUSSEX FIRE AUTHORITY

Date: **14 February 2014**
Title: **Procurement Strategy 2014/15**
By: **Chief Fire Officer and Chief Executive**
Purpose of Report: **To introduce the new Procurement Strategy for 2014/15**

RECOMMENDATION: The Fire Authority is asked to:
a) approve the new Procurement Strategy for 2014/15; and
b) note the use, in principle, of the Improvement and Efficiency Reserve to fund the estimated cost implications of the new Strategy.

MAIN ISSUES

1. The Authority recognises that effective procurement is fundamental to achieving organisational success and fulfilling both our strategic aims and objectives and our statutory duty.
2. A Strategic Review of Procurement and an Internal Audit report have identified a range of issues in compliance and opportunities for improvement.
3. Set against a backdrop of the challenging economic climate and a need to make savings of £7.1m by 2018/19, East Sussex Fire & Rescue Service has recognised a need to review its procurement strategy.
4. The updated Strategy is designed to address the issues identified by the Internal Audit report and by the Strategic Review, to identify the resources required to address the changes needed and ensure East Sussex Fire and Rescue Service has a compliant procurement function that is fit for purpose and meets the needs of the organisation.

Des Prichard
CHIEF FIRE OFFICER AND CHIEF EXECUTIVE

31 January 2014

1. **INTRODUCTION**

- 1.1 The new Procurement Strategy is designed to identify and enable efficient and effective ways of working that support the delivery of key corporate outcomes. These ways of working will enable Managers to manage their resources effectively. The new Procurement Strategy is included at Appendix A.
- 1.2 To help formulate this new Strategy and in response to the challenging financial environment a strategic review was commissioned to identify any improvements that could facilitate the above aims.
- 1.3 The new strategy follows best practice and recommends targeted actions. These will maximise the effectiveness of procurement, in supporting managers to identify and deliver savings.

2. **CONTEXT**

- 2.1 The new Procurement Strategy has been written taking into account a number of developments, both within the Authority and the environment in which it operates. While the financial pressures continue to exert themselves on the Authority, attention turns to procurement as a facilitator for reducing the cost of the services.
- 2.2 The current position in procurement reflects changes made over the past few years and the Team now benefit from the professional qualification of the Procurement Manager, the introduction of and participation in Project Boards for all major projects, the introduction of procurement cards and a shift toward compliance and support of budget managers.
- 2.3 A Strategic Procurement Review was completed in October 2013 and was commissioned to consider the current position. Interviews were conducted with all major stakeholders, together with interviews with the Team members and key stakeholders. A comprehensive analysis of the procurement spend of the Service was completed to industry standard classifications. The review concludes with a list of actions designed to further enhance the procurement service.
- 2.4 The financial stewardship of public money means that contracting and procurement is high in scrutiny. The recent Contract Audit and Procurement Card audit have also identified recommendations to procurement and these have, if not already implemented, have been incorporated within the new Procurement Strategy.

3. **THE ROLE OF PROCUREMENT**

- 3.1 The Service faces renewed challenges, both in terms of public expectation for the services it provides and the financial challenges that the period of austerity has brought to public spending. It is common to see the link between what procurement can bring to a service and the way it procures as an opportunity to make savings. But more than that, the Authority must now address further financial challenges that will require a change in the way it operates and again it will be crucial to the success that procurement play a full role in any transformation.

- 3.2 As the Authority plans to tackle the financial gap, so too Procurement must plan to support that challenge. In the immediate term the Strategic Review has identified a constriction of resource available. It also identifies the need for a Forward Procurement Plan and work has already started in its preparation. This plan may identify periodic short term need for additional resource to support the delivery both of the Action Plan and the Forward Procurement Plan. This resource maybe temporary staff either in procurement or directly within a service. The legal support that the Authority buys in from Brighton & Hove City Council can also be better planned and supplied.
- 3.3 As work and demands change it may be that the existing structure for the Procurement Team, and the Finance Team, require review and an element of retraining for staff can be planned.
- 3.4 More than just “buying”, procurement must be part of the commitment to explore opportunities for partnership working and possible shared services models as part of phase 3 of the Authority's savings proposals.
- 3.5 Indeed procurement may be part of a shared services model. There are a number of key dependencies for delivery of the plan. The arrangements with East Sussex County Council and Surrey County Council for the Shared Services contract are currently unresolved. Additionally procurement uses the financial system, SAP, and there may be benefits in developing further functionality, however, there is uncertainty as to the development path for SAP.
- 3.6 Any transformation will be backed up by IMD and the importance of its procurement, deployment and further development will be key to the success of the savings and the evolution of the procurement service itself. Procurement must take an active role in the IMD Strategy for it to achieve its goals and be procured in a compliant way that achieves best value for the Authority.
- 3.7 Finally the Authority is changing and there will be a cultural shift as a result. The Procurement Strategy reflects this in the way procurement is carried out.

4. **FINANCIAL IMPLICATIONS**

- 4.1 There will be financial implications in relation to a number of the recommendations within the new Procurement Strategy.
- 4.2 In the main these surround the introduction of e-tendering (a statutory requirement) and additional administrative support as temporary staffing is required to support managers in reviewing and refreshing their contracts and in their more complex commissioning needs.
- 4.3 Early indications are that the costs will be in the region of £25,000 and will not exceed £50,000. It has been agreed by Corporate Management Team that in principle these estimated costs can be met from the Improvement and Efficiency Reserve. Any request will be the subject of detailed projections.

5. **CONCLUSION**

- 5.1 Whilst recognising financial resources will be required, there will be significant benefits to the Authority in terms of risk; with auditable improvements in compliance, efficiency and effectiveness of the Commissioning and Procurement practices within East Sussex Fire and Rescue Service. By adopting this Strategy, managers will be supported in achieving the aims of the Service. The new Strategy is, therefore, recommended for adoption by the Fire Authority.

East Sussex Fire & Rescue Service
Procurement Strategy 2014/15



East Sussex
Fire & Rescue Service

1. SUMMARY

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1.3 Our Vision

1.4 Procurement as a Strategic Function

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6. SUSTAINABILITY AND ETHICAL PROCUREMENT

6.1 Environmentally Sustainable & Ethical Procurement

1. SUMMARY

1.1 Introduction

This Procurement Strategy defines the role of procurement in the delivery of the Authority's strategic objectives. The critical actions necessary to deliver the strategy are identified. The Authority recognises that effective procurement is fundamental to achieving organisational success and fulfilling both our strategic aims and objectives and our statutory duty. The strategy and policies form part of the arrangements the Authority has made for Best Value and provides a common framework within which all procurements are to be managed. **Compliance with this strategy is mandatory.**

1.2 Background

As we face the challenge of the current and future economic climate and the inevitable pressure this exerts on our budget, our strategic commissioning process must be based on having clarity of goals and priorities; identification of community and user needs and aspirations; **identification of the outcomes** required to meet these needs and aspirations; determining the social value and wider public policy outcomes that are being sought; prioritising these outcomes and the available resources, and matching the two together; ensuring that all options for securing these outcomes are considered and understanding what approaches might be available.

East Sussex Fire and Rescue Service (ESFRS) has recognised a need to review its procurement strategy and this document is designed to set the overall objectives that will ensure ESFRS has a Procurement function that is fit for purpose and meets the needs of the organisation.

1.3 East Sussex Fire and Rescue Vision, Aims and Objectives

Achieving safer and more sustainable communities

- We say 'safer' because safety is our primary driver, within our organisation and within our wider communities.
- We say 'sustainable', because we are working towards safeguarding future generations and their communities, both in our prevention work and in how we deliver our services.
- We say 'communities' to represent everyone we serve, including those who live in East Sussex and the City of Brighton & Hove, and those who visit our local area.

Aim 1:

To deliver quality services within available resources

- Prevent loss of life and injuries in our communities.
- Protect our communities against economic, property or heritage loss.
- Respond effectively and safely to incidents with appropriate planned resources.

- Deliver cost effective services, which focus on community risk and customer needs at a price the local community can afford and within available resources.

Aim 2:

To ensure a competent, diverse, safe and valued workforce

- Embed and embrace equality and diversity principles in all that we do.
- Attract and retain high calibre and committed staff, and help them develop professional skills and competence to meet our business needs.
- Maintain and improve the standards of health, safety and welfare of our staff and provide a safe and secure workplace.

1.4 The Service’s Vision translated into Procurement as a Strategic Function

The Authority recognises the importance of procurement to its core business and the strategic impact of procurement decisions. Purchasing goods, services or works represents a significant interface with the economic community through the contractual relationships developed with suppliers.

Effective procurement of goods, services or works to support the front line service provision is vital if the Authority is to meet its core objectives.

The aim of this procurement strategy is to set a clear framework for procurement throughout the Authority, which reflects the Government’s Agenda, reflects the Authority’s corporate action plans, provides a framework for best value and which stands alongside the Authority’s Standing Orders and Financial Regulations.

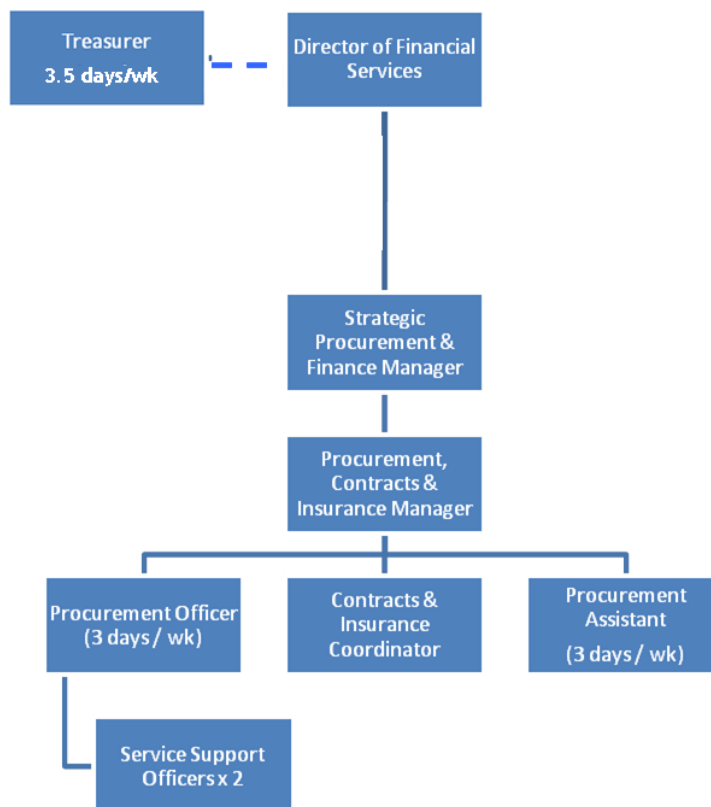
To deliver our aims, a comprehensive action plan is included within this Strategy; as an overview, a strategic procurement approach will include:

- A comprehensive analysis and understanding of the procurement spend
- Agreement on the objectives
- An understanding of and with a coherent approach to the supply management techniques to deliver those objectives and the prerequisites for their success
- Professional procurement support that understands the needs of the business and supports the identification and delivery of savings
- Clear accountability for compliance supported by effective training and performance management
- Lean procedures and, as far as practicable, common processes
- Efficient procurement systems that provide high quality procurement information & reporting to facilitate decision making

1. Current team structure & skills

ESFRS operate a hybrid procurement model which displays elements of centralisation and decentralisation, procurement, purchasing and supply. Some contracts are managed centrally by the Strategic Procurement Team (PPE, Uniforms, Insurance), others are procured through regional frameworks, collaborative arrangements or SLAs with neighbouring authorities (Stationery, Cleaning Materials, Legal Services etc.) whilst the technical buying is devolved to the appropriate department.

The Strategic Procurement Team is situated within Financial Services as shown on the organisation chart below:



The structure was reformed in April 2012 and costs the organisation £198k per year of which £112.5k can be attributed directly to procurement functions. This represents almost a 20% decrease in cost on the previous year. Additionally, and not unusually, the Procurement Team require legal support and advice. This is purchased on an hourly basis from Brighton & Hove City Council's legal team under the contract for legal support and provision of the Monitoring Officer.

The Strategic Review of Procurement has made the following observations:

- The Procurement Contracts & Insurance Manager has been sponsored by ESFRS to attain a masters level qualification with the Chartered Institute of Purchasing and Supply (CIPS) representing considerable foresight and investment in the procurement function, however;

- the team structure and composition is more a product of legacy then designed to deliver a strategic support function to the organisation including;
 - Resource committed to non-procurement responsibilities (management of the SSOs, provision of soft FM services including event management and vending machine support and Insurance);
 - Outdated job descriptions;
 - Valuable resource tied up with low priority, low value purchasing which could be devolved.

As a result the Procurement Action Plan recognises that there will have to be training and development of team members to shift the focus of the Team away from transactional activity towards professional and strategic procurement support that the Authority needs. Additionally, and in addition to the legal support provided by Brighton & Hove City Council, there may be times when specialist knowledge or peaks in work load may require the introduction of temporary support.

Procurement Action Plan, Action 13 refers: *Conduct a training needs analysis of the Procurement function to identify the functional roles, their required level of expertise and the training and development required to close any gaps.*

Cost implication: £1,200 (anticipated training costs arising from the training needs analysis)

2. Spend Analysis

ESFRS spend approximately £40m per annum, of which approximately £10m is considered spend that can be influenced, or spend with a supplier where there is a commercial, arms-length arrangement for the provision of goods and/or services.

The following table provides an analysis of spend by ESFRS Directorate / Department:

Directorate	Spend (£)	% Total Spend
IMD	2,976,982	29.34
Response & Resilience	1,675,868	16.51
Financial Services	1,476,727	14.55
Engineering	1,228,115	12.10
L&OD	880,768	8.68
Estates	873,038	8.60
Misc	385,649	3.80
HR	291,795	2.88
Prevention & Protection	258,277	2.55
Special Projects	96,169	0.95
Performance Management	2,414	0.02
Health & Safety	1,904	0.02
Totals	10,147,704.82	

The management of a spend as distinct categories and not just as a supplier or directorate led analysis, will enable improved strategic sourcing through identifying developments in the market and opportunities for aggregation and collaboration, it will also allow us to develop focussed category performance targets.

Procurement Action Plan, Action 4 refers: *Liaise with ESCC to investigate the feasibility of populating the ESFRS SAP system with ProClass spend categories and provide recommendation to the Strategic Procurement & Finance Manager.*

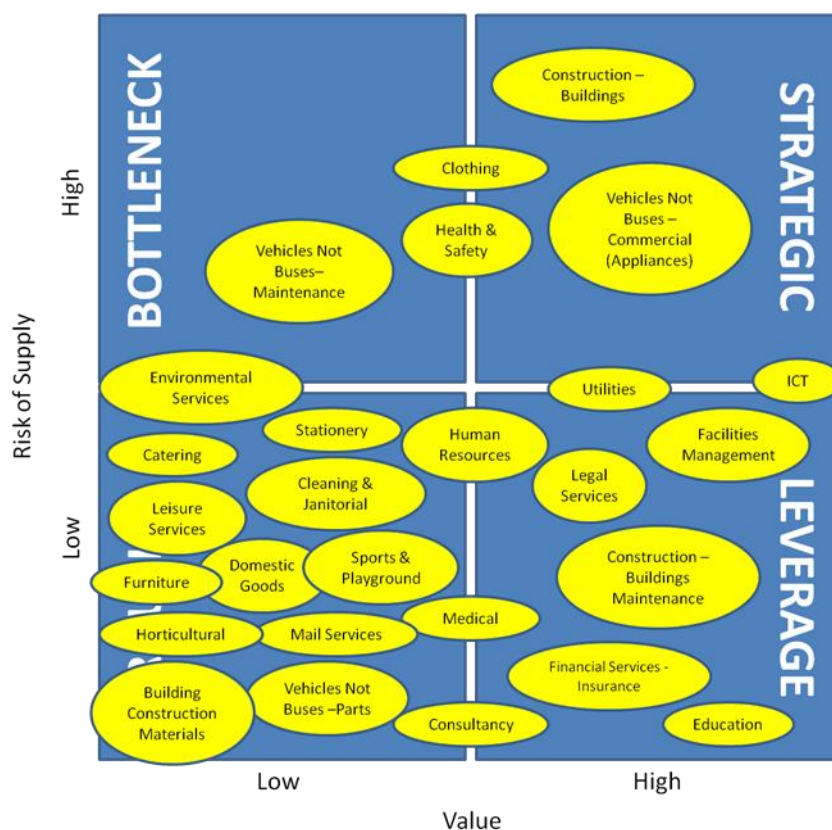
Cost implication: nil

Procurement Action Plan, Action 10 refers: *Compile a Forward Procurement Plan detailing all procurement activity for the remainder of FY 2013/2014 and FY 2014/2015*

Cost implication: £1,500 (3 days support from external consultant)

3. Kraljic Analysis of our current portfolio

The Kraljic Matrix below is used to segment ESFRS supplies according to value and risk of supply. This enables us to identify effective ways to purchase each category, mitigation the risk of supply by identifying contingency supply sources & maximizing economies of scale.



This matrix enables the identification of effective ways to purchase each category and mitigate risks. It identifies that time and procurement costs associated with purchasing tactical, low value items that should be minimised. Alternatively, the Authority does not want to be exposed to risk via non-compliance or failing to identify the Most Economically Advantageous Tender (MEAT) option in areas of high value, strategic spend. Kraljic analysis will be used to inform the Forward Action Plan and the Table below identifies the appropriate approach for each segment:

Bottleneck	High risk, low value
Forge closer relationships with suppliers but plan for contingency. Bulk buy when available	Limited supply, niche products
Tactical	Low value, low risk
Minimum cost and input to purchase e.g. e-procurement P/card/online catalogues/supplier hosted punch-out sites One-Stop-Shop portal-link to contracted suppliers	Routine, low value items
Strategic critical	High value/risk
Close, mutually beneficial relationship with supplier Partnership approach Central Procurement Management at strategic level	Long-term contracts, collaboration
Leverage	High value/low risk
Focus on cost, use leverage/buying power/economies of scale Bulk buying, market research, switching, substituting Tendering	Competition

Procurement Action Plan, Action 15 refers: *Ensure Contingency Supply Plans exist for all suppliers on the Contracts Register detailing the level of risk to ESFRS should they fail to supply, and mitigating actions.*

Cost implication: nil

Procurement Action Plan, Action 10 refers: *Compile a Forward Procurement Plan detailing all procurement activity for the remainder of FY 2013/2014 and FY 2014/2015 including:*

- ***a description of the goods and/or services to be procured;***
- ***when the arrangement needs to be in place;***
- ***the potential value of the arrangement (based on an approximate contract life);***
- ***the anticipated route(s) to market;***
- ***the anticipated resource requirement (including departmental, Strategic Procurement Team, external resource etc.);***
- ***an assessment of risk (to include as a minimum Risk of Supply and Strategic Importance).***

Cost implication: £1,500 (3 days support from external consultant)

2. PROCUREMENT POLICY

2.1 Corporate Procurement Policy

1. General – all procurement activities entered into by the Authority shall comply with all relevant EU and domestic legislation. All contract awards will be made on an either Most Economically Advantageous Tender or lowest price basis.

2. Collaboration – the Authority shall demonstrate that all the options for the procurement of supplies and services, including collaboration with other fire & rescue services, local authorities, consortia and the private sector have been explored.

3. Identification of needs – the Authority shall ensure arrangements are in place to identify the Authority’s specific requirements for all the supplies and services necessary to meet its duties and responsibilities. Commissioning decisions will follow full option appraisal and procurement decisions made intelligently supported by an understanding of the marketplace. The procurement of goods, services and works shall only take place to meet identified needs in service support or delivery, as defined in the **Forward Procurement Action Plan**. The table below lists the Procurement Action Plan from the Strategic Review:

Serial	Recommended Action	Timing	Lead
1	Strategic Procurement Team start keeping a record of the financial value they achieve through procurement activities.	Immediate and on-going	Strategic Procurement Team
2	Strategic Procurement Team work with all departments managing contracts to develop the Contracts Register including: <ul style="list-style-type: none"> • Discussion of how the Contracts Register could be expanded to add extra capability for contract and risk management • Ensure all contractual arrangements are captured on the Contracts Register and information is current • Delegate responsibility for updating departmental information to contract owners 	Completion end 1 st quarter (June 2014)	Procurement Contracts & Insurance Manager & Department Heads
3	Investigate the feasibility of introducing SAP workflow into ESFRS and produce an outline business case including cost benefit analysis for consideration by Director of Financial Services.	Completion by end 2 nd quarter (Sept 2014)	Strategic Procurement & Finance Manager

Serial	Recommended Action	Timing	Lead
4	Liaise with ESCC to investigate the feasibility of populating the ESFRS SAP system with ProClass spend categories and provide a recommendation to the Strategic Procurement & Finance Manager.	Completion end 3 rd quarter (Dec 2014)	Senior Financial Administrator Financial Services (Budgetary Control)
5	Develop an Outline Business Case for a project to implement Phase 2 of P-Cards within ESFRS.	Completion end 2 nd quarter (Sept 2014)	Procurement Contracts & Insurance Manager & Project Coordinator
6	Review the current Procurement pages on the ESFRS intranet and update them to provide information on the role of the function and team and access to key documents.	Completion end 2 nd quarter (Sept 2014)	Procurement Contracts & Insurance Manager
7	Consider the recommendations for amendment to the CSOs and if agreed amend and submit for approval at the relevant level within ESFRS.	Completion end 2 nd quarter (Sept 2014)	Strategic Procurement & Finance Manager
8	Conduct market research and liaise with regional functional colleagues to determine options for the introduction of e-tendering to ESFRS and prepare an outline business case for approval.	Completion end 1 st quarter (June 2014)	Procurement Contracts & Insurance Manager
9	Compile a business case for the implementation of e-tendering.	Completion end 3 rd quarter (Dec 2014)	Procurement Contracts & Insurance Manager

Serial	Recommended Action	Timing	Lead
10	<p>Compile a Forward Procurement Plan detailing all procurement activity for the remainder of FY 2013/2014 and FY 2014/2015 including:</p> <ul style="list-style-type: none"> • a description of the goods and/or services to be procured; • when the arrangement needs to be in place; • the potential value of the arrangement (based on an approximate contract life); • the anticipated route(s) to market; • the anticipated resource requirement (including departmental, Strategic Procurement Team, external resource etc.); • an assessment of risk (to include as a minimum Risk of Supply and Strategic Importance). 	Completion end 1 st quarter (June 2014)	Strategic Procurement & Finance Manager
11	Review and revise the ESFRS Commissioning and Procurement Strategy.	Complete and ready for presentation to the Fire Authority on 14 Feb 2014	Strategic Procurement & Finance Manager
12	Withdraw the Procurement Policy and incorporate it into a Procurement Manual to be hosted on the intranet with appropriate hyperlinks to the CSOs and forthcoming Commissioning & Procurement Strategy and Forward Action Plan.	Completion end 4 th quarter (March 2015)	Procurement Contracts & Insurance Manager
13	Conduct a training needs analysis of the Procurement function to identify the functional roles, their required level of expertise and the training and development required to close any gaps.	Completion end 1 st quarter 2015 (June 2015)	Procurement Contracts & Insurance Manager

Serial	Recommended Action	Timing	Lead
14	On completion of the training needs analysis compile an outline business case to propose the implementation of a 'licence to buy' within ESFRS and submit for approval to the appropriate level.	Completion end 1 st quarter 2015 (June 2015)	Strategic Procurement & Finance Manager
15	Ensure Contingency Supply Plans exist for all suppliers on the Contracts Register detailing the level of risk to ESFRS should they fail to supply, and mitigating actions.	Completion end 1 st quarter 2015 (June 2015)	Department Heads
16	In conjunction with L&OD implement a Procurement Training & Development Programme.	Implementation commences April 2015	Procurement Contracts & Insurance Manager
17	Implement Phase 2 of P-Card rollout across ESFRS.	Implementation commences April 2015	TBC

4. Costs and efficiency savings – **the Authority shall ensure that there are clear procurement savings targets and plans to deliver them, reflected both in the short and medium term corporate plans.**

5. Procurement procedures must be as effective as possible and focussed on achieving value for money. This may include adopting a whole life costing methodology where appropriate. The Procurement Team and departmental commissioners will record any savings achieved through Procurement activities.

5. Partnership – the Authority shall work in partnership with suppliers and service providers to ensure they understand the needs of the Authority and develop the products and services to meet those needs, where the contract is strategically critical, high value or particularly complex.

6. E-procurement – the Authority shall develop such systems to ensure that it meets the e-government targets in respect of procurement. The electronic procurement of goods, services or works shall be central to the procurement process and where efficiencies are identified through the use of electronic media they shall be exploited to the maximum. The Authority shall develop such systems to ensure that it maximises the benefits from transacting electronically.

7. Procurement performance – the Authority shall develop management information, including Pro-Class spend analysis, to aid decision-making and improve procurement performance. A **Procurement Forward Plan** shall be introduced to enable the procurement function to plan and prioritise workloads to meet the needs of internal customer requirements in relation to activity throughout the financial year.

8. A full and comprehensive contracts register shall be established on a shared platform. This shall contain all Authority contracts, including regional, national and contracts let via framework agreements. All documentation and information relating to the contracts, tenders, pricing schedules, supplier performance and management information, shall be stored by the Contracting Department's Responsible Officer, in a consistent manner, allowing the procurement team to have access to all relevant information regarding specific contracts.

9. Environmentally friendly products – environmentally preferable goods and services shall always be purchased where this is consistent with Best Value and in support of the Authority's commitment to Agenda 21. Sustainability will be used as part of the tender evaluation procedure where appropriate.

10. Local businesses – the Authority shall assist local businesses, voluntary and community organisations, wherever possible, to build their capacity to compete for Authority contracts within the bounds of statutory regulation and ethical best practice. The impacts of the Social Value Act 2012 shall be considered when conducting all procurement activity.

11. Equality & Diversity – compliance with the requirements of the Equality Act 2010 shall be built in to tender methodology to ensure that prospective providers of goods and services follow best practice in this field.

12. Transparency- in compliance with the Government's transparency agenda and as best practice, ESFRS will publish all expenditure over £500 on the website, in addition to a comprehensive contracts register detailing the goods and services being purchased plus the value and duration of all Authority contracts. Greater transparency enables small to medium-sized enterprises (SMEs) to gain a better understanding of what public bodies spend money on and what they look for when choosing suppliers. This will support the Authority's SMEs agenda in enabling greater opportunity to compete for contracts, which in turn offers the potential for access to new solutions.

3. PROCUREMENT PRINCIPLES

3.1 Management and control of contracts

1. Project Management arrangements will be established to ensure that all contracts are adequately managed and monitored with a view to achieving completion of service delivery on time, within budget and in accordance with the specification. Significant or complex contracts shall have appointed a Project Manager who will be responsible for the delivery of the contract. In case of larger contracts a formal Project Board will be established

2. All major procurements should be adequately planned and consideration given to the resources required to achieve completion within the desired timescale. A plan shall be prepared for each project at the outset. The plan should indicate the timetable for key stages, the resources that are required (e.g. staff time) and the proposed management and monitoring arrangements.

3. An officer should be designated at the outset for each contract with the responsibility and sufficient authority, for ensuring that the contract is adequately managed and monitored.

4. Effective and efficient methods of contact monitoring and reporting shall be established throughout the contract. Such methods should include monitoring of the programme, costs and service delivery against the specification and should be proportionate to the cost and risks involved.

Procurement Action Plan, Action 2 refers: *Strategic Procurement Team work with all departments managing contracts to develop the Contracts Register including:*

- ***Discussion of how the Contracts Register could be expanded to add extra capability for contract and risk management***
- ***Ensure all contractual arrangements are captured on the Contracts Register and information is current***
- ***Delegate responsibility for updating departmental information to contract owners.***

Cost implication: nil

3.2 Assessing and minimising risk

1. An approach to risk management that is proportionate and takes account of the cost of mitigation/control. Risks associated with procurement shall be assessed and minimised accordingly. Procedures established for letting and managing major contracts should be appropriate to the risks that have been identified.

2. Clear accountability for compliance, supported by effective training and performance management.

3.3 Qualified and experienced staff resources

1. The Authority will ensure that Procurement is undertaken by suitably skilled and experienced staff.

2. Staff engaged in procurement will be provided with templates, guidance and training and shall be expected to attain an ESFRS 'Licence to Buy' certificate.

Procurement Action Plan, Action 14 refers: *On completion of the training needs analysis compile an outline business case to propose the implementation of a 'licence to buy' within ESFRS and submit for approval to the appropriate level.*

Cost implication: nil

Procurement Action Plan, Action 16 refers: *In conjunction with L&OD implement a Procurement Training & Development Programme.*

Cost implication: nil

3.4 Projects

1. All major procurements shall have due regard to delivering the identified need in the most cost-effective manner.

2. The Outline Business Case (OBC) should be used if you are starting a project, whether the project will be funded by revenue or capital expenditure.

3. Further documentation such as the PID (Project Initiation Document, previously the PCD) may or may not be required. The sponsoring Principle Officer (PO) can use the 'Project Governance Requirements' section to specify how much governance the project requires. The PO will take into account these kinds of criteria:

- Budget required
- Risk
- Criticality
- How much the project will impact other parts of the organisation
- The amount of effort and resources the project will require
- Whether other parts of the organisation are depending on the project

4. Specifications for service/work requirements should focus on service delivery and where possible, clearly define the goals or outcomes required.

5. Where a mixture of price and quality is used in evaluation, robust quality/price tender evaluation models should be prepared in advance that sufficiently reflects the level of quality required. When preparing quality/price evaluation models, consideration should be given to the costs that are expected to be incurred throughout the entire life of the project (i.e. whole life costing)

6. Where appropriate, consideration should be given to establishing longer-term arrangements, such as using framework agreements or entering into partnerships with other organisations.

3.5 High professional standards and Best Practice

1. All procurement decisions shall be operated in a professional manner and ensure the highest standards or transparency, probity and accountability.

2. All procedures shall be operated in accordance with the Authority's Contract Standing Orders, Financial Regulations, Procurement Strategy and other relevant policies, best practice and standards set by relevant professional organisations.

3. Where possible, standard terms and conditions of contract should be used. Any additional clauses or special conditions must be approved by the Procurement and Contracts Manager before insertion.

4. All procedures shall be auditable and be able to demonstrate probity and accountability.

3.6 Continuous improvement

1. Terms of contracts should include mechanisms for measuring the extent to which performance has achieved the specified goals or outcomes.

2. Contract monitoring procedures shall provide for sufficient review of performance and for feedback to subsequent procurement exercises. Such reviews should highlight lessons to be learnt and consider how innovation and new technology can assist future contracts.

3.7 Financial and economic assessments of companies

1. The Authority's Contract Standing Orders requires that the financial and economic standing of the successful tenderer shall be assessed prior to award of contract.

3.8 Supplier Management

1. The Authority shall review the number of suppliers and focus on the relationships with key suppliers in order to:

- reduce processing costs by consolidating invoices, deliveries and payments,
- optimise the use of corporate contracts
- prevent off-contract or 'maverick' purchasing and
- improve performance, quality and encourage new solutions along the supply chain.

3.9 Forward Procurement and management of capital schemes

1. In order to plan for longer-term expenditure, it is necessary to identify the major requirements for the foreseeable future and then prioritise those requirements. This is achieved by the compilation of the Capital Programme, which is a medium to long term financial plan that indicates the Authority's intentions for capital expenditure.

2. In addition to the Capital Programme, with the aid of the Procurement & Contracts Department, Budget Managers, Commissioners and Contract Owners must compile a Forward Procurement Plan, detailing all procurement activity for each financial year.

3. The Forward Procurement Plan will include:

- a description of the goods and/or services to be procured;
- when the arrangement needs to be in place;
- the potential value of the arrangement (based on an approximate contract life);
- the anticipated route(s) to market;
- the anticipated resource requirement (including departmental, Strategic Procurement Team, external resource etc.);
- an assessment of risk (to include as a minimum Risk of Supply and Strategic Importance).

3.10 Financial authorisation limits

1. The Authority's Contract Standing Orders give the relevant thresholds for obtaining quotations and tenders as part of the procurement process. These shall be followed in all aspects of procurement.

2. Supporting this, the Authority's Financial Management Information System shall incorporate financial limits for individuals authorising expenditure.

4. E-PROCUREMENT

4.1 Definition of E-Procurement

1. E-Procurement is defined as the electronic management of all procurement activities including the use of web communications to 'e-enable' the procurement process.
2. E-Procurement will ensure that the Authority is able to gain the benefits from E-Procurement, such as improved management information, elimination of paper based systems, reduced cycle times and reduced transaction costs.

4.2 E-Procurement Strategy

1. Efficient and effective systems and processes that support the delivery of key corporate outcomes. The Authority shall compile a business case for the implementation of e-tendering. We aim to facilitate the complete tendering process from the advertisement to the placing of the contract. This includes the exchange of all relevant documentation in electronic format
2. ESFRS will use the South East Business Portal (SEBP) to advertise our procurement opportunities. The Portal shares information in relation existing contracts and forthcoming tendering opportunities across the 74 councils and 9 Fire & Rescue Services, within the South East region. The SEBP has a web-link to Contracts Finder. Contracts Finder is a Government hosted site for all Public Sector contract opportunities above £10,000.
3. The Authority will develop an outline business case for a project to implement Phase 2 of P-Cards within ESFRS.
4. ESFRS currently use SAP supported by South East Shared Services. Within our Procurement to Pay (P2P) process, the procurement element currently relies upon a paper requisition. We will conduct a review with a view to implementation of SAP workflow, (the electronic requisitioning module of SAP), which is in use at other South East Shared Services users.
5. ESFRS will enhance its web presence, with the creation of templates & guidance on the intranet. The creation of a One Stop Shop will direct staff to the hosted web pages of contracted suppliers, where they may purchase using ESFRS P-Cards, therefore removing the risk of 'maverick' spend & ensuring we are spending against pre-negotiated, highly competitive contracts.

Procurement Action Plan, Action 3 refers: *Investigate the feasibility of introducing SAP workflow into ESFRS and produce an outline business case including cost benefit analysis for consideration by Director of Financial Services.*

Cost implication: £5,000 (SAP change procedures via client team at ESCC)

Procurement Action Plan, Action 9 refers: *Compile a business case for the implementation of e-tendering.*

Cost implication: £5,000 (Business case will be prepared by the Procurement Team however any solution is likely to require purchase cost and on-going support cost)

Procurement Action Plan, Action 17 refers: *Implement Phase 2 of P-Card rollout across ESFRS.*

Cost implication: E-Tendering and Contract Management modules, including hosting and training, total cost of £10,000 for 3 years (based on soft market testing and figures provided by South East Regional FRS colleagues using web based e-tendering).

5. COLLABORATION

Competition is the cornerstone of public sector procurement and is the primary driver of value for money in areas of common spend such as commodity goods and services. Effective collaboration will enable the Authority to maximise its spending power. ESFRS is already engaged in collaborative procurement with our South East Regional colleagues, for example, the supply of uniforms, work wear and ancillary items to the 9 services in the South East. To further increase savings and improve resilience, we have agreed to a common approach on a number of key commodities.

1. Procurement in the Authority shall be undertaken at the level appropriate to:

- Achieve maximum efficiencies /savings
- Maximise purchasing power/economies of scale

2. Consideration shall be given procuring at a national or regional level those items that are fire service specific and/or represent high strategic importance and high cost.

6. SUSTAINABILITY AND ETHICAL PROCUREMENT

6.1 Environmentally Sustainable & Ethical Procurement

1. Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis, in terms of generating benefits not only to the organisation, but to society and the economy whilst minimising damage to the environment.

2. Environmentally sound purchasing practices will produce whole-of-life benefits, such as savings through the reduction of energy use, carbon emissions, waste, and raw materials consumption.

3. The Authority recognises the importance of sustainable procurement and the impact on the social, economic and environmental landscape should be factored in to the pre-planning stage and contract award. Where appropriate, staff should include environmental criteria in requests for information and selection scoring.

4. The Forward Procurement Plan shall be used as a tool by procurement to identify sustainable procurement priorities for the financial year ahead.

5. Up to date legislation pertaining to sustainability should be included within all tender documentation. The procurement team shall produce a suite of template pre-qualification and invitation to tender documentation that should be used across the Authority. These will include pass/fail questions relating to environmental and sustainability and ensuring that prospective suppliers have this methodology embedded within their own supply chains.

6. Supporting the Local Economy-the impacts of the Public Services Social Value Act 2012 shall be considered when conducting all tender activity.

The Act allows that evaluation criteria may include social considerations as a determinant of the most economically advantageous tender. For example this may include seeking assurances from bidders that they will utilise local labour or offer job opportunities to apprentices.

7. The Authority will promote the use of Fair Trade goods where appropriate and will use its approach to procurement to do this.

8. Supporting the Third Sector-the Authority actively seeks to work with partners and organisations within the Third Sector (voluntary and community groups, social enterprises, charities, co-operatives and mutuals) and will seek to encourage the Third Sector to engage with us in terms of tendering and commissioning services.

