EAST SUSSEX FIRE AUTHORITY

TUESDAY 14 FEBRUARY 2017 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 Deane, Morris, O'Quinn, Peltzer Dunn, Penn and Theobald.

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You are required to attend this meeting to be held at Fire and Rescue Service Headquarters, 20 Upperton Road, Eastbourne, BN21 1EU at 10:30 hours.

AGENDA

Item No.	Page No.	
963.	1	In relation to matters on the agenda, seek declarations of any disclosable pecuniary interests under Section 30 of the Localism Act 2011.
964.	1	Apologies for absence.
965.	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).
966.	1	To consider any public questions.
967.	1	To receive any petitions.
968.	3	Non-confidential minutes of the meeting held on 8 December 2016 (copy attached).

Item No.	Page No.	
969.	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.
970.	7	Fire Authority Service Planning processes for 2017/18 and beyond, Revenue Budget 2017/18 and Capital Strategy 2017/18 to 2021/22 – joint report of the Chief Fire Officer and Treasurer (copy attached).
971.	51	Treasury Management Strategy for 2017/18 – report of the Treasurer (copy attached).
972.	77	Appointment of External Auditors – joint report of the Chief Fire Officer and Treasurer (copy attached).
973.	81	Pay Policy Statement for 2017/2018 – report of the Monitoring Officer (copy attached).
974.	93	Health, Safety & Wellbeing Strategy 2017-2020 – report of the Chief Fire Officer (copy attached).
975.	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.
976.	95	Confidential minutes of the meeting held on 8 December 2016 (copy attached). (Exempt categories under paragraph 3 of the Local Government Act 1972).

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

EAST SUSSEX FIRE AUTHORITY

Minutes of the meeting of the East Sussex Fire Authority held at East Sussex Fire and Rescue Service Headquarters, 20 Upperton Road, Eastbourne at 10:30 hours on Thursday 8 December 2016.

Present: Councillors Barnes, Buchanan, Butler, Deane, Galley, Howson (Chairman), Lambert (Vice-Chair), Morris, O'Quinn, Peltzer Dunn, Penn, Sheppard, Taylor and Theobald.

Also present:
Mr. G. Walsh (Chief Fire Officer), Mrs. D. Whittaker (Deputy Chief Fire Officer), Mr. M. Andrews (Assistant Chief Fire Officer), Mr. A. Ghebre-Ghiorghis (Monitoring Officer), Mrs. L. Woodley (Deputy Monitoring Officer), Ms. I. Sidoli (Senior Lawyer, Brighton & Hove City Council), Mr. D. Savage (Treasurer / Assistant Director Resources), Mrs. L. Ridley (Assistant Director Planning & Improvement) and Mrs. S. Klein (Clerk to the Fire Authority).

951. **DISCLOSABLE PECUNIARY INTERESTS**

951.1 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.

952. **APOLOGIES FOR ABSENCE**

952.1 Apologies were received from Councillors Earl, Pragnell, Scott and Wincott.

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

953.1 PCC Business Case

953.1.1 Copies of recent correspondence between the Chairman, Group Leaders and PCC were circulated to Members for information and the Chief Fire Officer informed them of the slippage in the timetable for the development of the business case by PA Consulting; this was now expected in February 2017.

953.1.2 The CFO was awaiting further details of the timetable around consultation on any business case following a decision by the PCC. Following the second reading of the Policing & Crime Bill, there was now a duty to consult for a minimum of 56 days – this could now run into the pre-election period of 'Purdah', before the County Council elections on 4 May 2017. He would also raise this issue at the next meeting of the Strategic Reference Group on 13 December.

953.1.3 The Chairman thanked the CFO and Councillor Lambert, the Vice-Chair, for their continuing hard work on this issue.

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

954.1 There were none.

955. **TO CONSIDER PUBLIC PETITIONS, IF ANY**

955.1 There were none.

956. **NON-CONFIDENTIAL MINUTES OF THE MEETING HELD ON 8 SEPTEMBER 2016**

956.1 Councillor Galley referred to paragraph 944.10 where '… Mrs. Ridley confirmed that a benchmarking report was being prepared for December's Fire Authority meeting.' The report was not on the agenda for this meeting, and Mrs. Ridley confirmed that this was subject to the availability of the national benchmarking report, and would be brought to Members in due course.

956.2 **RESOLVED** – That the non-confidential minutes of the meeting held on 8 September 2016 be approved and signed by the Chairman. (Copy in Minute Book).

957. **CALLOVER**

957.1 Members reserved the following items for debate:
958. Member Allowances Scheme Annual Review
959. Integrated Risk Management Plan (IRMP) 2017/18-2019/20 – Consultation Results

957.2 **RESOLVED** – That all other reports be approved according to the recommendations set out in the reports.

958. **MEMBER ALLOWANCES SCHEME ANNUAL REVIEW**

958.1 The Fire Authority considered a joint report of the Chief Fire Officer, Treasurer and Monitoring Officer regarding the annual review of the Member Allowances Scheme. (Copy in Minute Book).

958.2 The Fire Authority had previously approved the recommendations of an Independent Remuneration Advisory Group (IRAG) for a Member Allowances Scheme to take effect from 1 April 2014 until 2017/18. This Scheme provided for an annual report to be brought to the Fire Authority in December for any changes to be implemented with effect from 1 April the following year. The financial implications of any changes to the rates that Members may agree would be taken into account in planning the revenue budget to be brought to Members in the new year.

958.3 Members were reminded that the Policy & Resources Panel had the remit to monitor this Authority's scheme, other CFAs' Member Allowances schemes, and those of the constituent authorities on an annual basis between formal review periods to ensure that it remained equitable and fair. Members also noted that the Panel may be assisted by an Independent Remuneration Advisory Panel. As there were no perceived issues arising from this annual review, and the financial implications were minimal, the report had been brought direct to the Fire Authority for final consideration.

958.4 The CFO confirmed that there was unlikely to be a report to the Policy & Resources Panel before September 2017.

958.5 **RESOLVED** – That:

i) a 1% increase in rates of basic and special responsibility allowances be approved with effect from 1 April 2017;

ii) an additional allowance of 5p per mile per passenger (in addition to the standard mileage allowance payable) be payable to a Member conveying another Member or an officer to the same event which is an approved duty, subject to the capacity of the vehicle;

iii) it be noted that the CFO has the authority to keep travel and subsistence rates under review and upgrade them; and

iv) a review will be undertaken of the arrangements to consider Member allowances in the Spring of 2017, specifically to consider the membership, guidance and terms of reference of the Independent Remuneration Advisory Group.

959. **INTEGRATED RISK MANAGEMENT PLAN (IRMP) 2017/18-2019/20 – CONSULTATION RESULTS**

959.1 The Fire Authority considered a report of the Chief Fire Officer that asked Members to consider the results of the consultation exercise relating to the Integrated Risk Management Action Plan 2017-2020 and agree the draft IRMP or propose any changes in the light of the responses made, in order to agree a final Plan to take effect from April 2017. (Copy in Minute Book).

959.2 At their meeting on 8 September 2016, Members had agreed to commence an 8-week public consultation on the draft Integrated Risk Management Plan 2017-2020. The consultation period had now ended and Members considered the responses received.

959.3 The Deputy Chief Fire Officer reported that the consultation had had a broader reach than in previous years as a result of an extensive communication strategy and concentrated engagement from Fire Authority Members; the quantitative, online survey had received 588 responses (528 of which were usable) and qualitative feedback was gathered at three fora from 24 attendees. This increased engagement was particularly pleasing, given the non-controversial nature of the Plan, and the great increase in the use of social media had been very welcome.

959.4 The Assistant Chief Fire Officer informed Members that a number of learning points from this consultation exercise would be taken forward to enhance future consultation, such as next year's recruitment exercise and the current Inclusion & Diversity Strategy which was now available on the website. The ACFO also suggested that any feedback on the Inclusion & Diversity Strategy might be coordinated through the Lead Member, Councillor Caroline Penn.

959.5 The DCFO thanked Mrs. Ridley and her team for their work on this exercise and Members echoed her thanks. Councillor Barnes suggested future consultations could enclose a brief questionnaire asking Parish Councils, for instance, to return them. He was pleased with the approach to the question on health collaboration.

959.6 The CFO confirmed that no responses had been received from Representative Bodies.

959.7 Councillor Peltzer Dunn noted that those respondents who had had contact with the Service were very satisfied, and he asked how the views of those who had not had contact with the Service could be obtained.

959.8 Councillor Morris asked how awareness of safer business training could be improved and the DCFO informed Members that this was being actively pursued, through social media.

959.9 Councillor Deane noted that respondents had said they would be willing to pay more, through council tax, for their local fire and rescue service next year, if it was to be spent on core priorities. She suggested the Service should lobby for further dispensations for FRSs to raise council tax above government thresholds if further cuts to budgets were inevitable. The Treasurer confirmed that CFOA and the Fire Finance Network do lobby government and that they had asked for an extension to Fire Authorities of the current dispensation, available to some PCCs and Borough and District Councils in the bottom quartile, to increase their council tax by £5 – he would update Members in due course.

959.10 **RESOLVED** – That:

i) the report be noted, including the consultation feedback and the Equality Impact Assessment for the IRMP; and

ii) the changes proposed in paragraph 10.5 of the report be agreed and the final Plan be approved for publication.

960. TRAVEL PLAN

960.1 The Fire Authority received a joint report of the Chief Fire Officer and Treasurer that set out proposals for a Travel Plan which would support the SHQ relocation decision taken by Members in June 2015. (Copy in Minute Book).

960.2 **RESOLVED** – That the Travel Plan measures be agreed and the ESFRS Travel Plan be approved as set out in the report.

961. EXCLUSION OF PRESS AND PUBLIC

961.1 **RESOLVED** – That item no. 962 be exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 and accordingly is not open for public inspection on the grounds that it includes information relating to the business affairs of the Fire Authority.

The meeting concluded at 12:08 hours.

Signed
Chairman

Dated this 14th day of February 2017.

Agenda Item No. 970

EAST SUSSEX FIRE AUTHORITY

Date	14 February 2017
Title of Report	Fire Authority Service Planning processes for 2017/18 and beyond, Revenue Budget 2017/18 and Capital Strategy 2017/18 to 2021/22
By	Chief Fire Officer and Treasurer
Lead Officer	Warren Tricker, Finance Manager

Background Papers	Fire Authority 8 September 2016: 2017/18 Strategic Service Planning and Medium Term Financial Plan. Fire Authority 8 December 2016: Integrated Risk Management Plan 2016 consultation. Policy & Resources Panel 19 January 2017: Fire Authority Service Planning processes for 2017/18 and beyond – Revenue Budget 2017/18 and Capital Strategy 2017/18 to 2021/22.

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

Implications

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

PURPOSE OF REPORT	To consider and approve the Fire Authority's Revenue Budget 2017/18, Capital Strategy 2017/18 to 2021/22 and Medium Term Finance Plan for 2017/18 to 2021/22.

EXECUTIVE SUMMARY

The Authority's draft budget proposals for 2017/18 were considered by the Policy & Resources Panel on 19 January 2017. Since that meeting the report has been updated to reflect final council tax and business rates information, collection fund positions and forecast income from the business rate pool. The Local Government Finance Settlement (LGFS) will not be finalised until the Local Government Finance Report (England) 2017/18 has been approved by Parliament.

The Authority's budget proposals for 2017/18 and its five year Medium Term Finance Plan (MTFP) reflects:

- The Local Government Finance Settlement which has been announced on a provisional basis with a consultation period to 12 January 2017
- The Minister of State for Policing and the Fire Service's acceptance of the Authority's 4-year Efficiency Plan and the resulting access to a multi-year settlement up to and including 2019/20
- The pressures, growth bids and savings identified through the business planning and budget setting process.
- The final information on council tax and business rates income from the billing authorities, including the dissolving of the East Sussex Business Rate Pool for 2017/18.

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

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

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

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

The Capital Strategy reflects the Authority's identified capital investment requirements for the next five years which can be financed from existing resources without the need to incur additional borrowing. This includes new schemes for the refurbishment of Preston Circus and building of a new workshop facility with emergency services partners. A further review of both the Capital Strategy and our arrangements for the future funding of its delivery will be undertaken during 2017/18 to reflect the investment proposals in the revised IMD and Estates Strategies.

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

RECOMMENDATION The Authority is recommended to approve:

1. an increase in council tax of 1.94% and, as a result:
   (i) the budget proposals set out in this Report and the net budget requirement of £37.403m for 2017/18;
   (ii) the council tax requirement of £25.036m; and
   (iii) the council tax and precepts as set out in Appendix F

2. the capital programme for the next five years and the capital budget of £4.677m for 2017/18 and the plans to use capital grant, capital receipts and revenue contributions to finance capital expenditure;

3. the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;

4. the fees and charges set out in Appendix C; and

5. that the Chief Fire Officer, in consultation with the Chairman and Treasurer, be authorised to make any adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.

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1. **INTRODUCTION**

1.1 The report sets out the proposed Revenue Budget for 2017/18, a revised MTFP for 2017/18 – 2021/22 as well as the proposed Capital Strategy and Capital Programme for the Authority for the period 2017/18 to 2021/22 for the Panel to consider. The report is based on the latest information available, but Members should note that the offer of a multi-year settlement as described in the 2016/17 local government finance settlement may still be subject to change.

1.2 This Report recommends that the Authority approves a 1.94% increase in council tax which reflects the assumption set out in the existing MTFP. This would involve setting a net budget requirement of £37.403m, a council tax requirement of £25.036m and increasing band D council tax from £86.72 to £88.40 for 2017/18.

1.3 The proposed Revenue Budget and MTFP reflect the four year settlement following the Home Office acknowledgement of the Authority's four year Efficiency Plan and the underlying sustained reductions in funding for public services as the Government seeks to reduce the national deficit.

1.4 The Authority has continued to make good progress in delivering savings proposals over the last 12 months. The latest version of the MTFP considers the roll-forward of the existing Plan to include 2021/22, savings from the change to appliance ridership proposals, the senior management restructure and the Service Headquarters Relocation Project, budget pressures, growth bids, other changes to spending plans, the multi-year local government finance settlement and latest information on council tax and business rates. Taken together these show that the Authority has already identified £1.937m of savings for delivery which would meet its funding gap up to 2021/22 and can continue its policy of using budget flexibility to make additional revenue contributions to fund the cost of the capital programme.

1.5 There remain several uncertainties for funding in 2017/18 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The acknowledgement of the Authority's four year efficiency plan and the multi-year funding figures for the period 2017/18 to 2019/20 is welcome and will support our strategic and financial planning for the future. However, there remains uncertainty after this end of this period. The Government has also committed that by the end of the Parliament local government will retain 100% of business rates revenues to fund local services. Local government grant will be phased out and additional responsibilities will be devolved to local authorities. How this will impact on fire authorities is not yet clear, and the Home Office has yet to respond to a consultation on removing Fire Authorities from the Business Rate funding system and replacing the associated revenue by a grant.

1.6 The Authority has reviewed its strategy and IRMP during 2016/17, and following public consultation has agreed a new purpose and commitments, and several IRMP priorities. We have aligned the budget setting process to this review and will continue to do so as the IRMP priorities are developed further. This will ensure that the Authority can match Service priorities to available resources and, therefore, achieve financial sustainability over the medium term.

2. ECONOMIC OUTLOOK

2.1 The general state of the economy is an important factor in setting the Authority's revenue budget and MTFP over the next five years. The UK economy has continued to show growth during 2015 with Gross Domestic Product (GDP) reaching 2.2%. In the medium-term GDP forecasts have been revised downwards moving from 2.1% down to 1.4% before recovering to 2.0% by 2021. The Office for Budget Responsibility (OBR) also predicts that unemployment will increase from 4.8% now to 5.5% by 2018 before falling back to 5.4% by 2021/22. The OBR express surprise that, given the low levels of unemployment, wage growth remains subdued, although in some industries increases are significant (construction sector wage growth reached 8.6% in the three months to June 2016). The OBR forecasts make several assumptions regarding the outcome of the UK referendum on membership of the European Union.

2.2 The Government is no longer on course to balance the budget during the current Parliament and has formally dropped this ambition in a significant loosening of its fiscal targets. Public sector net debt as a % of GDP peaked at 84.2% in 2015/16, and the OBR expects it to continue to rise to 90.2% by 2017/18 before falling to 81.6% by 2021/22.

2.3 The official UK bank interest rate reduced from 0.5% to 0.25% in August 2016 and the Authority's advisors see no increase until 2019.

2.4 Consumer Price Inflation (CPI) is forecast to be 0.7% for 2016. The OBR expects it to climb to 2.3% in 2017 and 2.5% in 2018 before stabilising at 2%.

3. NATIONAL FUNDING

3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from three main sources: council tax; Revenue Support Grant; and business rates (both locally retained income and a top up grant). The Government has announced that it intends to fully localise business rates by 2019/20 and this will result in the final withdrawal of revenue support grant. It is expected that this change will be revenue neutral, and that Government may devolve additional responsibilities to local authorities as part of the process. There has been high level consultation on some principles during the year but the Government has yet to publish its response. There is no further information on the question raised in the consultation as to whether fire authorities should continue to receive funding through the business rates system after 2019/20 or instead receive a grant from Government. It is also possible that income from business rates may also be affected should local devolution bids be successful.

3.2 The provisional LGFS was announced on 15 December 2016 and a letter from the Minister of State for Policing and the Fire Service on 14 December confirmed the offer of a multi-year settlement as described in the 2016 LGFS for the period up to 2019/20. The Minister only expects these to change in exceptional circumstances and the result of statutory consultation processes. He also acknowledges they will change in circumstances of transfer of function and merger.

3.3 The Local Government Finance Report (England) 2017/18 is due to be debated in mid-February when, if approved, the LGFS will become final. It is recommended that power is delegated to the Chief Fire Officer, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.

3.4 The multi-year settlement does not address the remaining two years of the Authority's MTFP and there is a significant degree of uncertainty given that there will be changes to the business rates system and potentially a change of Government. At this stage we have modelled on the basis that settlement funding assessment will remain static for these final two years i.e. that the total funding from business rates and revenue support grant will remain unchanged.

3.5 The Government has extended reliefs on business rates for small and rural businesses and it is assumed that any losses will be compensated for by a S31 grant. The Government has not yet provided indicative figures for the S31 grant which will also be affected by the 2017 Business Rate Revaluation and we will not know the actual amount until billing authorities submit their NNDR1s at the end of January so we have continued to model using our existing assumptions.

3.6 As part of the 2011 Localism Act, Council Tax capping in England has been abolished and has been replaced by new powers for residents to approve or veto excessive Council Tax increases through a local referendum. Any decision to trigger a referendum would incur a significant cost in carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling. The Government has confirmed that it will set a referendum threshold of 2% for Fire and Rescue Authorities for 2017/18 and have continued to assume that the Fire Authority will raise Council Tax by 1.94% each year until 2021/22.

3.7 There has been no announcement on specific grants for the fire and rescue service to date. We have continued to model on the basis of assurances given earlier in the year that both FireLink and New Dimensions grants would be protected for 2017/18.

4. **<u>MEDIUM TERM FINANCIAL PLAN</u>**

4.1 The MTFP (Appendix A) reflects the impact of the multi-year LGFS and the latest information on business rates and council tax. For 2020/21 and 2021/22 we have assumed that in line with the Government's commitment to localise 100% of business rates the total of settlement funding assessment will remain the same as in 2019/20 (albeit the component parts will obviously be different).

4.2 The MTFP reflects our initial modelling of these factors and includes the following key assumptions:

- acceptance of the multi-year settlement as set out in the LGFS 2016 and a 49% reduction in Revenue Support Grant over the MTFP, with no decrease in 2020/21 or 2021/22 assuming that baseline funding will be static as a result of 100% Business Rates Retention;
- Growth in Council Tax base of 1.35% for 2017/18 and 0.67% thereafter;

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

4.3 A deficit on the business rates collection fund of £73,000 and a surplus on the council tax collection fund of £323,000, meaning an overall net surplus of £250,000 is included.

4.4 For 2017/18 pay inflation for all terms and conditions is 2.0% which equates to £496,000, but included in the savings there is a reduction of £123,000 which equates to 0.5% of the total pay bill. This gives a net pay inflation assumption of 1.5% or £374,000.

4.5 The view is that this is a prudent assumption and has been part of the MTFP for some time. Whilst the Government has restated its commitment to average pay rises of 1% across the public sector the 1.5% assumption gives the Authority some flexibility to deal with pressures in the system should they arise, including the current job evaluation review being carried out on green book roles, and to pursue local / national flexibility in the wake of the Thomas Review.

4.6 The assumption for price inflation in the 2017/18 revenue budget and the remainder of the MTFP is 2.5% and this is based broadly on the forecasts from the OBR and the Authority's advisors.

4.7 The MTFP now forecasts a net expenditure reduction of 2.7% to 2017/18 and 0.8% to 2018/19 with subsequent increases of 1.1% to 2019/20, 1.9% to 2020/21 and 1.9% to 2021/22. Considering all of the underlying assumptions set out above in paragraph 4.2 and the Authority's savings plans, this indicates that the Authority can achieve a balanced budget for 2017/18 and for the duration of the MTFP.

4.8 There is a range of risks that has the potential to impact on the Authority's ability to deliver its budget plans over the medium term to which Members must give consideration, primarily:

- Our ability to deliver the savings set out in the MTFP
- Uncertainty about future governance and funding including:
    - The impact of the Policing and Crime Bill
    - Development of local devolution proposals
    - Proposals for the 100% business rates retention / funding regime beyond the current multi-year settlement
    - The potential impact of the UK's decision to leave the EU
    - The impact of local growth development plans and additional housing, road and commercial risks

4.9 The Authority has made provision to manage financial risks and in year pressures through both the contingency within the Revenue Budget (set at £390,000 for 2017/18) and the Reserves and Balances Policy.

5. PROJECTED REVENUE POSITION 2016/17

5.1 The Service Revenue Budget for 2016/17 is £38.432m. Based on figures reported to Policy & Resources in January 2017 the revenue budget is forecast to underspend by £528,000.

5.2 At its meeting in January 2017, the Policy & Resources panel agreed in principle to use any revenue Budget underspend toward wholetime firefighter recruitment.

6. REVENUE BUDGET 2017/18

6.1 Impact of national funding changes on local position

6.1.1 The Revenue Budget Summary for 2017/18 and the MTFP have been updated to reflect the offer of a multi-year LGFS and the final information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. The position is summarised below in Table 1.

6.1.2 The East Sussex Business Rates Pool will be dissolved for 2017/18 as partners wish to mitigate the risk posed by the 2017 Revaluation. The opportunity to re-establish the Pool for 2018/19 will be considered.

Table 1 – Summary of Impact of Local Government Finance Settlement

	2017/18 £'000
Locally Retained Business Rates	2,392
Top Up Grant	4,821
Business Rates Baseline	7,213
Revenue Support Grant	4,524
Settlement Funding Assessment	**11,737**
Estimated value of Business Rates Pool included above	0
Transition Grant	**122**
S31 Grant - Business Rates Adjustment	**258**
Total for comparative purposes	**12,117**
As reported to Fire Authority 8 September 2016	12,188
Increase/(decrease) in funding	**(71)**

6.1.3 Since the localisation of Council Tax Support Grant in 2013/14, billing authorities have been required to approve their own local Council Tax Reduction Schemes (LCTRS). Initially these schemes set out to recover the 10% reduction in national funding by reducing support for certain council taxpayers, alongside changes to existing discounts and exemptions. All local billing authorities except Hastings Borough Council have changed their LCTRS for 2016/17 to reduce the level of support available thereby reducing the cost of the LCTRS. Only Brighton & Hove City Council proposes to change its LCTRS for 2017/18 and the impact on the Authority is likely to be a small rise in income but this will not be reflected in the MTFP until final council tax base figures are received.

6.1.4 The Authority's council tax base for 2017/18 is calculated as 283,210.67, an increase of 1.15% on 2016/17 (279,983.54). If the Authority were to increase its council tax as currently modelled by 1.94% this would provide income of £25.036m which is £0.048m less than previously modelled. Each 1% increase in council tax yields additional income of £0.244m using the 2017/18 council tax base.

6.1.5 The billing authorities have confirmed there will be a surplus of £0.323m on the Council Tax Collection Fund and a deficit on the Business Rates Collection Fund of £0.073m for distribution in 2017/18. Members should note that any net collection fund surplus is a one-off benefit only.

6.1.6 The latest resource position is reflected in the Revenue Budget Summary and the MTFP and includes the latest available figures from the Local Government Finance Settlement. The position is summarised below in Table 2.

Table 2: Movement in Resources

	2017/18 Latest position £'000	2017/18 Fire Authority September 2016 £'000	Increase / (Decrease) £'000
Locally Retained Business Rates	2,392	2,458	(66)
Business Rates Top up	4,821	4,862	(41)
Business Rates Baseline	7,213	7,320	(107)
Revenue Support Grant	4,524	4,524	0
Settlement funding assessment	**11,737**	**11,844**	**(107)**
Council Tax Collection Fund Surplus / (Deficit)	323	150	173
Business Rates Collection Fund Surplus / (Deficit)	(73)	(100)	27
Section 31 grant Business Rates adjustment	258	222	36
Transition Grant	122	122	0
Total Funding	**12,367**	**12,238**	**129**
Council Tax Requirement	25,036	25,084	(48)
Total Resources	**37,403**	**37,322**	**81**

6.2 **Overview of current budget proposals**

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

(i) to fulfil the Fire Authority's statutory duties as a legally separate authority

(ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability

(iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate

(iv) to further develop and implement an Integrated Risk Management approach to our Strategic Plans and services to local communities

(v) to identify sufficient savings over the medium term to ensure it has a balanced budget and sustainable medium term finance plan in the light of expected reductions in public sector funding

6.2.2 The Authority identified that it had a funding gap of £7.1m in July 2013 and subsequently embarked on a phased programme called 'Changing the Service, Shaping our Future' to identify and evaluate savings proposals. Through this Programme the Authority has since approved a range of operational and non-operational savings proposals which have, in combination with pre-existing savings initiatives, so far delivered revenue budget savings totalling £4.564m with a further £1.937m identified for delivery by 2021/22.

6.2.3 The Authority has reviewed its strategy and IRMP during 2016/17, and following public consultation has agreed a new purpose and commitments, and several IRMP priorities. We have aligned the budget setting process to this review and will continue to do so as the IRMP priorities are developed further. This will ensure that the Authority can match service priorities to available resources and achieve financial sustainability over the medium term. At this stage the only direct financial implications are for the Immediate Emergency Care Responding (IECR) pilot which will be funded from a combination of earmarked reserves and existing revenue budgets.

6.2.4 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves and Balances. The 2017/18 Revenue Budget has been prepared against a background of continued reductions in funding for public services as part of the Government's continuing deficit reduction strategy.

Table 3 – Summary of Net Budget Requirement

	£'000	Change %
Original Estimate 2016/17	**38,432**	
Pay inflation	496	1.29%
Non pay inflation	227	0.59%
Changes in capital financing	(2)	(0.01%)
Commitments: see Table 4	(400)	(1.04%)
Savings: see Table 5	(1,350)	(3.51%)
Original Estimate 2017/18	**37,403**	**(2. 68%)**

6.3 Consultation

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

6.3.2 Opinion Research Services was commissioned by ESFRS to undertake an online questionnaire as part of ESFRS's emergency cover review consultation. The online questionnaire was available to complete from 12 September until 7 November 2016. The questionnaire was available to residents, representatives from business, public and voluntary organisations and ESFRS employees. 528 questionnaires were completed during this period (519 online responses and 9 paper questionnaires).

6.3.3 Most responses to the consultation questionnaire were from residents of East Sussex or the City of Brighton & Hove (338) and employees of East Sussex Fire and Rescue Service (41), but there were also responses from local organisations and businesses. Of the 528 responses received, a total of 29 responses were representing the views of organisations.

6.3.4

- The questionnaire included some questions related to the Authority's financial plans and the responses are summarised as follows: the majority (79%) of respondents agreed that their local fire and rescue service offers value for money; only 6% disagreed
- around four fifths (81%) of respondents said they would be willing to pay more, through council tax, for their local fire and rescue service next year, with just under half (49%) saying that they would be willing to pay a small amount more through their council tax (up to a 2% increase) and around a third (32%) said that they would be willing to accept a larger increase in council tax (more than a 2% increase).
- Just under a fifth of respondents (19%) said that they don't want an increase in council tax next year (2017/18).

6.3.5 Respondents were asked whether they had any suggestions about what ESFRS could do to offer better value for money. One of the suggestions was for ESFRS to merge with West Sussex FRS. Another suggestion was for more collaborative working with other Services (such as the Ambulance Service and Police). Some respondents also suggested that the ESFRS management structure should be reviewed. It is worth noting that some respondents thought that ESFRS already provides value for money and, therefore, felt that cuts should not be made.

6.4 Fees and Charges

6.4.1 The existing policy is for fees and charges to be reviewed not less than once a year and that increases should take into account the cost of providing the service, including the effects of inflation.

6.4.2 Appendix C gives details of increases in fees and charges for Fire and Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect nationally agreed increases in pay and the overall level of provision for inflation generally, it is proposed to increase fees and charges by 1.5% in 2017/18 except in some cases where other factors determine the increase.

6.4.3 Officers have investigated the opportunities to make charges and have reviewed potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged for. Of these, animal rescues and lift rescues have been considered but have had the impact of demand management rather than income generation.

6.4.4 In the 2017/18 budget the fees and charges listed in Appendix C amount to £135,000, the remainder of the income budget is mainly income from West Sussex County Council for the Sussex Control Centre.

6.5 **Main Variations**

6.5.1 The MTFP presented to Members in September had a number of adjustments, pressures and growth bids already included. These are shown in Table 4 below:

Table 4: 2017/18 Budget Commitments

Previously agreed	**£'000**
Removal of temporary increases	
Removal of £280,000 2016/17 flex.	(280)
IMD Strategy item reduction - SCC desktop provision	(38)
Fleet Strategy adjustments	(9)
Pension advice 3 years from 1-1-15 9 months only	(5)
Hand held radios (possible Capital) one year only	(150)
Legacy mobilising system (extended to fund 2017/18)	0
Procurement Resource (one year only - 2016/17). Remove from base (+ inflation)	(38)
Removal of IRMP (one year only 2016/17) [Post 5 Jan]	(60)
Establishment of a Programme Management Office (PMO) - reducing to £110k in 2017/18 - 3 years [Post 5 Jan]	(70)
HR resource for Enterprise Bill (1.75 years) [Post 5 Jan]	(9)
BR Pool income plans to spend in Business Safety	(100)
Other adjustments	
Capital Expenditure from the Revenue Account	42
Adjust Corporate Contingency.	6
Transition Grant transfer to I&E reserve 2016/17 (remove)	(97)
Transition Grant transfer to I&E reserve 2017/18 (new)	122
Service pressures	
Firefighter pension employers contribution adjustment	(54)
Ill Health adjustment	17
Protect FireLink Grant with 1% increase	(2)
Protect New Dimensions Grant with 1% increase	(1)
LGPS 0.5% increase in ERS contribution rate: 20.9% to 21.4%	27
Government Apprenticeship Levy @ 0.5% on pay above £3m (+£15k allowance) - see separate sheet [NEW]	78
Service growth	
Funding of additional staffing costs in SCC 2017/18 only	120
TOTAL PREVIOUSLY AGREED	**(501)**

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

Table 5: New Budget Commitments

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

New Service growth	
SC – Community Safety: Volunteers (as agreed by CMT November 2016 CMT).	70
RT – Estates: Estates Project Support Officer SHQ relocation (2017/18 only for 3 months).	15
RT – Estates: Senior Estates Surveyor (Strategy and development of capital project proposals incl. One Public Estate) (2017/18 only).	40
T & A: Training Income. The Training Centre had a significant agreement with Surrey that has now come to an end. This cannot be accommodated within the existing income budget and alternative opportunities are very limited.	25
P & I – Communications: IRMP Consultation: The IRMP process has taken longer than expected and the 2016/17 budget has underspent. To support this work going forward it is requested that the 2017/18 budget is supported (2017/18 only).	30
RT – Procurement: Procurement Officer post: The temporary resource to support the procurement Improvement Plan ends in 2017/18. To continue to support the programme the funding will be extended by an additional year.	37
TOTAL NEW	**101**

TOTAL ALL 2017/18 COMMITMENTS	**(400)**

6.6 Savings Plan

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

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

Table 6 Savings

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

7. CAPITAL PROGRAMME

7.1 The Medium Term Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton and Hove. It is likely that the Strategy will be subject to further review in 2017/18 to ensure it reflects any capital investment decisions resulting from the IRMP review, the development of new IMD and Estates Strategies, the ESCP Integrated Transport Function and the development of collaborative proposals under the aegis of the One Public Estate programme. The main additions are schemes for Preston Circus (£2.550m) and South Eastern Hub workshop (£1m).

7.2 With no requirement to borrow over the 5-year term of the Strategy, the only revenue impact is the changes to the assumptions on levels of interest used on balances. At 31 March 2017 the Authority's debt will be £11.0m and will fall to £10.7m by the end of 2021/22. It is likely that a review of our capital funding strategy will be required during 2017/18, once the capital investment impacts of the IRMP and associated IMD and Estates Strategies are known. This will include considering the necessity to take out new borrowing. The value of changes to the Programme and the revenue impact are shown in the following table:

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

	Total resource	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Fleet	8,870	1,119	2,603	1,816	1,985	1,347
Property	4,026	732	1,571	771	568	384
IMD	395	121	274	0	0	0
Total Gross Cost	**13,291**	**1,972**	**4,448**	**2,587**	**2,553**	**1,731**
Cost of 2016/17 Strategy	**13,482**	4,566	2,185	2,545	2,559	1,627
Increase (decrease)	**(191)**	**(2,594)**	**2,263**	**42**	**(6)**	**104**
Revenue implication	4,681	948	944	930	930	929
Previously forecast revenue implication	4,669	945	943	927	927	927
Total Revenue Cost (Saving)	**12**	**3**	**1**	**3**	**3**	**2**

8. RESERVES & BALANCES

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

8.2 The Authority's Reserves Policy is set out in Appendix E and states that, in considering the general level of reserves, the Treasurer will have regard to:

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

8.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. A summary of the forecast year end reserves and balances position is set out in Table 8 below. A proposal, in principle, to establish an earmarked reserve to fund the one-off costs of a programme to recruit and train wholetime firefighters during 2017/18 and 2018/19 is set out elsewhere in this agenda.

TABLE 8: Summary of Forecast Reserves and Balances

	31/03/2017 £'000	31/03/2018 £'000	31/03/2019 £'000	31/03/2020 £'000	31/03/2021 £'000	31/03/2022 £'000
Capital Programme Reserve	5,381	5,881	6,381	5,692	5,241	4,330
Other Earmarked Reserves	3,426	1,183	249	249	249	249
Total Earmarked Reserves	8,807	7,064	6,630	5,941	5,490	4,579
General Fund	3,142	3,142	3,142	3,142	3,142	3,142
Capital Reserves	4,889	4,877	351	0	0	0
Total Useable Reserves	**16,838**	**15,083**	**10,123**	**9,083**	**8,632**	**7,721**

9. CHIEF FINANCE OFFICER STATEMENT

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

10. EQUALITY IMPACT ASSESSMENT

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

Appendix A

MEDIUM TERM FINANCIAL PLAN 2017/18 - 2021/22

INCREASE COUNCIL TAX BY 1.94% EACH YEAR

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	**36,962**	**36,360**	**37,190**	**38,070**	**38,859**
Less					
Specific grants	(188)	(169)	(152)	(137)	(123)
Other income	(1,398)	(1,435)	(1,470)	(1,507)	(1,545)
Total income	**(1,586)**	**(1,604)**	**(1,622)**	**(1,644)**	**(1,668)**
Net Service Budget	**35,376**	**34,756**	**35,568**	**36,426**	**37,191**
Capital financing costs less interest receivable	868	852	852	852	828
Capital expenditure from the Revenue Account	537	980	582	424	402
Transferred to Balances	622	500	500	500	500
Total Net Expenditure	**37,403**	**37,088**	**37,502**	**38,202**	**38,921**

Net Budget brought forward	**38,432**	**37,403**	**37,088**	**37,502**	**38,202**
Unavoidable cost pressures					
Pay inflation	496	486	485	491	500
Price inflation	227	215	201	207	215
Total inflation	**723**	**701**	**686**	**698**	**715**
Changes in Capital Financing	(2)	(16)	0	0	(24)
Budget commitments	(400)	(448)	(242)	6	28
Savings approved	(1,350)	(552)	(30)	(4)	0
Total Net Expenditure	**37,403**	**37,088**	**37,502**	**38,202**	**38,921**

Appendix A continued

Sources of Funding	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,392	2,464	2,538		
Business Rate Top Up	4,821	5,006	5,166		
Business Rates Baseline	**7,213**	**7,470**	**7,704**		
Revenue Support Grant	4,524	3,660	3,157		
Start Up Funding Assessment	**11,737**	**11,130**	**10,861**	**10,861**	**10,861**
Section 31 Grant Business Rates adjustment	258	266	274	282	290
Council Tax Collection Fund (Deficit) / Surplus	323	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(73)				
Transition Grant	122				
Council Tax Requirement	25,036	25,692	26,367	27,059	27,770
Total Resources Available	**37,403**	**37,088**	**37,502**	**38,202**	**38,921**
Additional Savings Required / (surplus)	**0**	**0**	**0**	**0**	**0**

Appendix B

Revenue Budget Subjective Summary

	2016/17 Original Estimate £'000	2017/18 Original Estimate £'000
Salaries, Allowances and On-costs	27,560	26,322
Training Expenses	534	582
Other Employees Costs	228	410
Employee Costs	**28,322**	**27,314**
Repair, Maintenance and Other Costs	1,057	1,096
Utility Costs	1,177	1,127
Premises Costs	**2,234**	**2,223**
Vehicle Repairs and Running costs	936	960
Travel Allowances and Expenses	141	123
Transport Costs	**1,077**	**1,083**
Equipment and Supplies	2,165	1,609
Fees and Services	1,708	1,486
Communications and Computing	1,641	2,239
Other Supplies and Services	660	1,007
Supplies and Services	**6,174**	**6,341**
Sums set aside from revenue	934	976
Interest Payments	506	504
Capital Financing	**1,440**	**1,480**
Grants and Contributions	(487)	(416)
Interest Received	(75)	(75)
Other Income	(1,100)	(1,169)
Income	**(1,662)**	**(1,660)**
Transfers From reserves		
Transfers To reserves	847	622
Total Net Expenditure	**38,432**	**37,403**
Financed By:		
Council Tax	(24,280)	(25,036)
Business Rates	(7,273)	(7,213)
Revenue Support Grant	(6,196)	(4,524)
Transition Grant	(97)	(122)
S31 Grants	(217)	(258)
Collection Fund Surplus/Deficit Council Tax	(369)	(250)
Total Funding	**(38,432)**	**(37,403)**

Appendix B continued

Revenue Budget Objective Summary

	2016/17 Original Estimate £'000	2017/18 Original Estimate £'000
Training and Assurance	2,049	2,193
Resources/Treasurer	7,585	7,530
Planning and Improvement	1,157	1,049
Total Deputy Chief Fire Officer	**10,791**	**10,772**
HR and OD	868	922
Safer Communities	19,472	18,290
Operational Support	3,583	3,850
Total Assistant Chief Fire Officer	**23,923**	**23,062**
CFO Staff	831	675
Treasury Management	1,368	1,408
Non delegated costs	402	474
Corporate Contingency	270	390
Transfers to Reserves	847	622
Transfers from Reserves	0	0
Total Corporate	**3,718**	**3,569**
Total Net Expenditure	**38,432**	**37,403**

Appendix C

FEES AND CHARGES

WITH EFFECT FROM 1 APRIL 2017

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

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

Appendix D

MEDIUM TERM CAPITAL STRATEGY 2017/18 to 2021/22

Overview

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

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

The main areas covered within the strategy are summarised below.

Property – Major Schemes

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

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

- **Service HQ Disposal –** the Authority has completed a marketing exercise to dispose of its current HQ in Eastbourne and expects to complete the sale to its preferred bidder by the end of 2016/17 with the site finally vacated during Q1 2017/18.

- **Service HQ Relocation** – this scheme covers the relocation of staff currently located at Upperton Road in Eastbourne to a new shared HQ with Sussex Police in Lewes, Service Training Centre and Bexhill and Eastbourne Fire Stations. The majority of this scheme is expected to be completed in 2016/17.

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

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

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

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

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

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

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

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

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

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

- **Capital Grant**

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

- **Partner Contributions**

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

- **Capital Receipts**

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The Government did offer flexibilities for capital receipts generated between 2016/19, to be used to fund the revenue costs of transformation projects, however, given the Authority's position in terms of both funding of the capital programme (primarily through capital receipts) and the availability of one off revenue finance through its Reserves, the offer was not pursued. The disposal of the former Newhaven Fire Station in Fort Road (estimated at £0.515m in 2017/18) and the existing Service Headquarters (estimated at £2.380m in 2017/18) will be used to fund the Capital Strategy. As at 31 March 2017 it is estimated that there will unapplied capital receipts of £4.889m (Capital Receipts Reserve). It is the Authority's current policy to use capital receipts to fund the capital programme before using the Capital Programme Reserve (which is a revenue reserve).

- **Revenue Contributions**

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

- **Prudential Borrowing**

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

SCHEME SUMMARY

Capital Programme Expenditure	Total Budget	Total Previous Year's Spend	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property – Major Schemes									
Newhaven Fire Station	3,560	3,509	49	2					**3,560**
Service HQ Relocation	650		624	26					**650**
Preston Circus	2,550			200	2,350				**2,550**
ITF South East Workshop	1,000				1,000				**1,000**
Total Property major	**7,760**	**3,509**	**673**	**228**	**3,350**	**0**	**0**	**0**	**7,760**
Property – General Schemes									
General Schemes	3,432	76	461	937	526	568	384	357	**3,309**
BA Chambers	360		216	144					**360**
Replacement Fuel Tanks	220			190	30				**220**
Sustainability	420	14	55	200	165	0	0	0	**434**
Security	150			100	50				**150**
Total Property General	**4,582**	**89**	**732**	**1,571**	**771**	**568**	**384**	**357**	**4,473**
Information Management									
Sussex Control Centre	**1,791**	**1,396**	**121**	**274**	**0**	**0**	**0**	**0**	**1,791**
Fleet & Equipment									
Aerial Appliances	675					675			**675**
Fire Appliances	6,470	417	793	970	1,240	800	1,045	1,245	**6,510**
Ancillary Vehicles	1,397	2		703	300	282	110		**1,397**
Cars & Vans	1,576	206	296	210	276	228	192	238	**1,646**
BA & Ancillary Equipment	750		30	720					**750**
Sub Total	**10,868**	**625**	**1,119**	**2,603**	**1,816**	**1,985**	**1,347**	**1,483**	**10,978**
Total Expenditure	**25,001**	**5,619**	**2,645**	**4,677**	**5,937**	**2,553**	**1,731**	**1,840**	**25,002**

SAXON HOUSE MEMORANDUM

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

Saxon House, the new Community Fire Station in Newhaven is a collaboration with Lewes District Council and Sussex Police. The cost of the Scheme is shown gross in the Capital Asset Strategy however both collaborators contributed financially to the Scheme. This table shows the expected contributions and those actually made, which vary depending of the changes to the costs of the different elements of the Scheme.

CAPITAL ASSET STRATEGY FUNDING

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Funding Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Grants							
Sussex Control Grant	121	274					395
Other grants							
Sub Total	**121**	**274**	**0**	**0**	**0**	**0**	**395**
Partner Contributions							
Newhaven – Lewes DC	8						8
Newhaven – Sussex Police	3						3
Sussex Safer Roads Partnership							
Sub Total	**11**	**0**	**0**	**0**	**0**	**0**	**11**
Useable Reserves							
Capital Receipts Reserve	1,549	2,907	4,526	351			9,333
Capital Programme Reserve				1,189	951	1,411	3,550
Breathing Apparatus Reserve	30	720					750
Sub total	**1,579**	**3,627**	**4,526**	**1,540**	**951**	**1,411**	**13,633**
Revenue Contributions	495	537	980	582	424	402	3,420
Internal Borrowing	439	239	431	431	356	28	1,924
Total funding	**2,645**	**4,677**	**5,937**	**2,553**	**1,731**	**1,840**	**19,383**

USE OF RESERVES

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Capital Receipts Reserve						
Opening Balance	6,438	4,889	4,877	351	0	0
Transfers In	0	2,895	0	0	0	0
Transfers Out	1,549	2,907	4,526	351	0	0
Closing Balance	**4,889**	**4,877**	**351**	**0**	**0**	**0**
Capital Grant and Contributions Unapplied						
Opening Balance	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
Closing Balance	**0**	**0**	**0**	**0**	**0**	**0**
Capital Programme Reserve						
Opening Balance	4,631	5,381	5,881	6,381	5,692	5,241
Transfers In	750	500	500	500	500	500
Transfers Out	0	0	0	1,189	951	1,411
Closing Balance	**5,381**	**5,881**	**6,381**	**5,692**	**5,241**	**4,330**
Breathing Apparatus Reserve						
Opening Balance	1,026	996	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	30	996	0	0	0	0
Closing Balance	**996**	**0**	**0**	**0**	**0**	**0**

Appendix E

Reserves and Balances Policy

Background

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

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

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

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

Types of reserve

The Authority will maintain the following reserves:

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

Earmarked reserves will be maintained as follows:

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

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

Principles to assess the adequacy of reserves

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

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

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

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

Service reserves

The process for the determination of Service reserves will be based upon the principles of effective operational and financial risk management. Service Directorates will be asked to submit business cases in respect of any planned under-utilisation of the agreed budget which they would wish to carry forward to apply in future years. 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 council tax increases <u>can only apply for one year</u>. In the following year, either additional budget reductions have to be made or additional council tax increases are required. There is a significant risk of future financial instability if significant levels of reserves are used to fund on-going spending or reductions in council tax. This is will impact on council tax rises in future years to pay for one-off use of balances.

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

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

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

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

Proposal for the level of General Reserves

The assessment gives a preliminary figure of £5.85m (15.6%) on the net budget requirement of £37.403m in 2017/18. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate and pressure on budgets, it would seem appropriate to continue to maintain the minimum level of general reserves at 8% in line with the Authority's existing policy. This equates to £2.992m. Currently, general balances (reserves) provision is projected to be above this level at £3.142m.

Review of earmarked reserves

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

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

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

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

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

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

Description	Opening Balance 01/04/17 £'000	2017/18 Planned Transfers In £'000	2017/18 Planned Transfers Out £'000	2017/18 Forecast Transfers In £'000	2017/18 Forecast Transfers Out £'000	Projected Closing Balance 31/03/18 £'000
Earmarked Reserves						
Improvement & Efficiency	1,105	122	(600)	122	(600)	627
Sprinklers	187	0	(187)		(187)	0
Insurance	249	0	0			249
Community Fire Safety Database	0	0	0			0
Breathing Apparatus	996	0	(996)		(996)	0
Mapping Solution	69	0	(69)		(69)	0
ESN Health Check	0	0	0			0
Safer Business Training	63	0	(63)		(63)	0
IMD Transformation	757	0	(450)		(450)	307
Capital Programme Reserve	5,381	500	0	500		5,881
Total Earmarked Reserves	**8,807**	**622**	**(2,365)**	**622**	**(2,365)**	**7,064**
General Fund	3,142					3,142
Total Revenue Reserves	**11,949**	**622**	**(2,365)**	**622**	**(2,365)**	**10,206**
Capital Receipts Reserve	4,889	515	(2,564)	2,895	(2,907)	4,877
Total Capital Reserves	**4,889**	**515**	**(2,564)**	**2,895**	**(2,907)**	**4,877**
Total Usable Reserves	**16,838**	**1,137**	**(4,929)**	**3,517**	**(5,272)**	**15,083**

Appendix F

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

	£	£
NET BUDGET REQUIREMENT		**37,403,000.00**
Forecast Business Rates retained	2,392,000.00	
Top Up grant	4,821,000.00	
Total Base Line funding	7,213,000.00	
Add Revenue Support Grant	4,524,000.00	
Total Grant funding (excluding transitional/freeze grant)	11,737,000.00	
Transition Grant	122,000.00	
Section 31 Grant Business Rates adjustment	258,000.00	
Previous Year's Surpluses/(Deficits)	250,000.00	
Total Council Tax required		**25,036,000.00**
Tax base	**283,210.67**	
Basic Council Tax (Band D equivalent)		**88.40**

Basic Council Tax from above calculation		**Council Tax**
Band A	**6/9**	**58.93**
Band B	**7/9**	**68.76**
Band C	**8/9**	**78.58**
Band D	**9/9**	**88.40**
Band E	**11/9**	**108.04**
Band F	**13/9**	**127.69**
Band G	**15/9**	**147.33**
Band H	**18/9**	**176.80**

	Tax Base	**Precept**
Brighton and Hove	**87,388.80**	**7,725,170**
Eastbourne	**33,923.70**	**2,998,855**
Hastings	**25,095.00**	**2,218,398**
Lewes	**36,345.60**	**3,212,951**
Rother	**37,260.97**	**3,293,870**
Wealden	**63,196.60**	**5,586,579**
	283,210.67	**25,035,823**

Appendix G

Establishment

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

Agenda Item No. 971

EAST SUSSEX FIRE AUTHORITY

Date	14 February 2017
Title of Report	Treasury Management Strategy for 2017/18
By	Treasurer
Lead Officer	Richard Carcas – Principal Finance Officer (Treasury Management) East Sussex County Council

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Background Papers	Fire Authority 11 February 2016 Treasury Management Strategy for 2016/17 16 June 2016 Treasury Management Stewardship Report 2015/16 Policy & Resources Panel 3 November 2016 Half year review for 2016/17 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

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Appendices	1: Treasury Management Scheme of Delegation 2: The Prudential and Treasury Indicators 3: Minimum Revenue Provision (MRP) Policy Statement 4: Approved countries for investments 5: Comment from Capita Asset Services on the outlook for 2017/18 6: Counterparty list

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Implications

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

PURPOSE OF REPORT	To approve the Treasury Management Strategy, Policy Statement and the Minimum Revenue Provision (MRP) Statement 2017/18

EXECUTIVE SUMMARY

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.

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.

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. The 2017/18 counterparty list for specified and non-specified investment is set out in Appendices 4 and 6.

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 2017/18 strategy continues the prudent approach and ensures that all investments were only to the highest quality rated banks and financial institutions up to a period of one year.

The Authority is recommended to approve the 2017/18 investment strategy which includes the addition of Enhanced Cash Funds to use alongside Money Market Funds. Also, two additional UK banks are included, Goldman Sachs IB and Standard Chartered Bank. This update will provide opportunities to diversify the investment portfolio and reduce the level invested in instant access deposits.

The background information and the calculation of the Authorised Limit for Borrowing for 2017/18 of £13.83m are set out in the attached Appendix 2 (Table 8).

Self-imposed Prudential and Treasury Management indicators that are set on an annual basis are shown in Appendix 2.

The Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) statement is set out in Appendices 2 and 3 to comply with best practice.

The Treasury Management policy statement for 2017/18 is set out in Section 5.

RECOMMENDATION The Fire Authority is recommended to:

(i) approve the Treasury Management Strategy and policy statement for 2017/18 (and adopted for the remainder of 2016/17);
(ii) determine that, for 2017/18, the Authorised Limit for borrowing shall be £13.83m;
(iii) adopt the prudential indicators as set out in the attached Appendix 2; and
(iv) approve the Minimum Revenue Provision (MRP) Statement for 2017/18 as set out in the attached Appendix 3.

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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 2017-18 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
- the policy on the 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 2017	0.25	1.60	2.90	2.70
Jun 2017	0.25	1.60	2.90	2.70
Sep 2017	0.25	1.60	2.90	2.70
Dec 2017	0.25	1.60	3.00	2.80
Mar 2018	0.25	1.70	3.00	2.80
Jun 2018	0.25	1.70	3.00	2.80
Sep 2018	0.25	1.70	3.10	2.90
Dec 2018	0.25	1.80	3.10	2.90
Mar 2019	0.25	1.80	3.20	3.00
Jun 2019	0.50	1.90	3.20	3.00

2.2 The Monetary Policy Committee (MPC) cut the Bank Rate from 0.50% to 0.25% on 4 August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut the Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half of 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, the Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

2.3 During the two-year period 2017–2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising the Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in the Bank Rate could be brought forward.

2.4 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Investment returns are likely to remain relatively low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically low levels after the referendum and then even further after the MPC meeting of 4 August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. 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 higher borrowing costs in later times when the Fire Authority will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3. TREASURY MANAGEMENT POSITION

3.1 The Authority's projected treasury portfolio position at 31 March 2017, 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

	2016/17 Projected £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000
External Borrowing				
Borrowing at 1 April	10,973	10,973	10,773	10,773
New Borrowing	-	-	-	-
Loan Redemption	-	(200)	-	-
Actual borrowing at 31 March	**10,973**	**10,773**	**10,773**	**10,773**
***CFR – the borrowing need**	**10,973**	**10,773**	**10,773**	**10,773**
Under/(over) borrowing	**-**	**-**	**-**	**-**

**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 2016/17 is £10.973m and 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. <u>BORROWING STRATEGY</u>

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.

PWLB Transfer of Function

4.5 The Treasury launched a consultation over the summer proposing to abolish the PWLB in its current form and transfer the functions to another body. The government's preferred approach is to transfer the PWLB's powers to the Treasury, with operational responsibility delegated to the Debt Management Office. Capita Asset Services don't believe these changes will have any tangible impact on our ability to borrow with regard to the manner that we currently do.

Prudential & Treasury Indicators

4.6 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.

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

Debt Rescheduling

4.8 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

4.9 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;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

4.10 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.

4.11 All debt rescheduling will be agreed by the Treasurer.

Sensitivity of the Forecast and Risk Analysis

4.12 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)

4.13 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;
- counterparty risk – the Authority follows a robust credit worthiness methodology and continues to monitor counterparties and sovereign ratings closely, particularly within the Eurozone: and
- the impact of the European Union's Markets in Financial Instruments Directive II (MiFID II) which is due to come into force on 8 January 2018 and may restrict the Authority's ability to invest its balances and the income it gains as a result.
- The EU parliament has been striving to reform MMFs that operate within the EU; the key proposal may require funds to move from Constant net asset value (CNAV) to Low Volatility net asset value (LVNAV). At the present time, there has been no issuance of draft regulations outlining the new reforms in significant detail. The expected time horizon for full implementation is likely to be up to two years. This would mean no changes to Investment Strategy documents at the moment but consideration should be given in future strategies.

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 Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

5.3 Investment instruments identified for use in the financial year are listed in section 5.18 and 5.21 under the 'Non-Specified and Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

Enhanced Money Market / Cash Funds

5.4 It is proposed to expand the range of investment instruments available in the 2017/18 strategy by including Enhanced Money Market / Cash Funds which are designed to produce an enhanced return compared to a traditional CNAV MMF which is designed for liquidity. The fund manager achieves greater return by investing their portfolio with a longer weighted average maturity (WAM). These funds can be AAA rated by credit rating agencies and would be used by the Fire Authority to hold funds in the 3-12 month duration. Notice to have funds returned can be given within 2-4 days (depending on the fund).These funds are usually priced at a variable net asset value (VNAV). The Fire Authority will use treasury advisors and conduct the necessary due diligence before selecting any fund to ensure it matches its prudent approach to investments.

Additional UK Banks

5.5 The addition of both Goldman Sachs IB and Standard Chartered Bank will provide the Authority with opportunities to further diversify its investment portfolio with UK banking names. This update will give options to reduce funds placed in Money Market Funds to a sensible liquidity level for cashflow and increase yield without taking any undue risk.

Credit worthiness Policy

5.6 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.

5.7 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.

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

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

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

5.9 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.

5.10 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.

5.11 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.

5.12 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.

5.13 The Capita Asset Services methodology was revised in October 2014 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.

5.14 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.

5.15 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.

Country Limits

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

5.17 The UK currently holds 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. The impact of the EU referendum and the path chosen with regard to 'hard' or 'soft' Brexit could have a bearing on sovereign ratings in the months ahead.

Specified Investments

5.18 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.

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

- Table 3 below sets out the types of investments that fall into each category, counterparties available to the Authority, and the limits placed on each of these. A detailed list of each investment type is available in the Treasury Management Practices guidance notes.

5.20 Criteria for Specified Investments:

Table 3

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

Non Specified Investments

5.21 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

5.22 Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

5.23 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace

5.24 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:

- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%
- 2020/21 0.75%

5.25 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.).

5.26 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).

5.27 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 in order to benefit from the compounding of interest.

6. <u>MINIMUM REVENUE PROVISION</u>

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 Authority to approve an MRP Statement in advance of each year. A variety of options is 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.

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 polices, 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	**2016/17 Projected**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
	£m	**£m**	**£m**	**£m**
Capital Expenditure	2.645	4.676	5.937	2.553
Financed by:				
Capital receipts	(1.549)	(3.181)	(4.526)	(0.351)
Capital grants & Contributions	(0.132)	-	-	-
Revenue Financing	(0.495)	(0.536)	(0.980)	(0.582)
Capital Reserves	(0.030)	(0.720)	-	(1.189)
Net financing need for the year	**0.439**	**0.239**	**0.431**	**0.431**

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 asset's 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

Capital Financing Requirement	2016/17 Projected	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	**£m**	**£m**	**£m**
Opening CFR	10.973	10.973	10.773	10.773
Net Financing (as above)	0.439	0.239	0.431	0.431
MRP	(0.439)	(0.439)	(0.431)	(0.431)
Closing CFR	**10.973**	**10.773**	**10.773**	**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	2016/17 Projected	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	**£m**	**£m**	**£m**
Borrowing	11.441	11.241	11.241	11.241
PFI/Leases	-	-	-	-
Total	**11.441**	**11.241**	**11.241**	**11.241**

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	2016/17 Projected	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	**£m**	**£m**	**£m**
Borrowing	13.830	13.830	13.830	13.830
PFI/Leases	-	-	-	-
Total	**13.830**	**13.830**	**13.830**	**13.830**

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

	2017/18	**2018/19**	**2019/20**
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 2017/18			
	Lower	**Upper**	**Actual**
Under 12 months	0%	25%	2%
12 months to 2 years	0%	40%	0%
2 years to 5 years	0%	60%	4%
5 years to 10 years	0%	80%	21%
10 years to 20 years	0%	80%	37%
20 years to 30 years	0%	80%	3%
30 years to 40 years	0%	80%	32%
40 years to 50 years	0%	80%	0%

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	**2016/17 Projected**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
	%	**%**	**%**	**%**
Ratio	2.29	2.32	2.29	2.27

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	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
	£	£	£
Council tax – Band D	0.01	0.07	0.07

3. **Treasury Management Budget**

Table 12

Description	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£m	**£m**	**£m**	**£m**
Interest Payable	0.506	0.504	0.496	0.496
Interest Receipts	(0.115)	(0.075)	(0.075)	(0.075)
Minimum Revenue Provision	0.439	0.439	0.431	0.431
TOTAL	**0.830**	**0.868**	**0.852**	**0.852**

APPENDIX 3

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 review of the 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. There are no implications for the authority's MRP policy.

The policy for 2017/18 is therefore as follows:

1.8 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.

1.9 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).

1.10 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.

APPENDIX 4

Illustrative list of Approved Countries for Investments

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

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland

AA

- U.K.

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

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APPENDIX 5

Capita Assets Services (our Treasury advisors) on the Economic Background outlook for 2017/18

1. **The Global Economy**

1.1 **The Eurozone**. the ECB commenced, in March 2015 a €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%.

Eurozone Elections. Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Key Dates 2017:

- Spring: Dutch General Election / French Presenditial Election
- Summer: French National Assembley
- Autumn: German Federal Election

1.2 **USA.** The result of the presidential election in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the bond market and bond yields have risen sharply in the week since his election. Time will tell if this is a temporary over reaction, or a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

The election does not appear likely to have much impact on the Fed. in terms of holding back further on increasing the Fed. Rate. Accordingly, the next rate rise is still widely expected to occur in December 2016, followed by sharper increases thereafter, which may also cause Treasury yields to rise further. If the Trump package of policies is fully implemented, there is likely to be a significant increase in inflationary pressures which could, in turn, mean that the pace of further Fed. Rate increases will be quicker and stronger than had been previously expected.

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1.3 **Asia.** Economic growth in China has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in Japan is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

2. The UK Economy

2.1 UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.3%.

2.2 The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1% in the second half of 2016. Indeed, the increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013.

Nevertheless, despite average weekly earnings ticking up to 3.0% y/y in the three months ending in September, this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate in the near future as labour productivity growth has meant that net labour unit costs appear to be rising by about only 1% y/y. Having said that, at the start of October, data came out that indicated annual labour cost growth had jumped sharply in quarter 2 from +0.3% to +2.2%: time will tell if this is just a blip or the start of a trend.

2.3 There is, therefore, considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, therefore, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

2.4 The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

2.5 The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20.

3. **Capita Asset Services forward view**

3.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

3.2 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.

3.3 The overall balance of risks to economic recovery in the UK remains to the downside, particularly with the current uncertainty over the final terms of Brexit.

3.4 Downside risks currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak Capitalisation of European banks.
- Monetary policy action failing to stimulate sustainable growth and combat the treat of deflation in western economies, especially the Eurozone and Japan.

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

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

3.6 **Brexit timetable and process:**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

Appendix 6 - Counterparty list

Banks	Country	Fitch Ratings				Moody's Ratings		S & P Ratings		CDS Price	Fire Authority Duration	Capita Duration Limit	Money Limit
		L Term	S Term	Viab.	Sup p.	L Term	S Term	L Term	S Term		(Months)	(Months)	(£m)
Lloyds Banking Group:													4
Lloyds Bank Plc	UK	A+	F1	a	5	A1	P-1	A	A-1	71.9	6	6	
Bank of Scotland	UK	A+	F1	a	5	A1	P-1	A	A-1	65.4	6	6	
RBS/NatWest Group:													4
NatWest Bank	UK	BBB+	F2	Bbb+	2	A3	P-2	BBB+	A-2	-	12	12	
Royal Bank of Scotland	UK	BBB+	F2	Bbb+	2	Ba1	P-2	BBB+	A-3	118.3	12	12	
Other UK Banks:													
HSBC Bank	UK	AA-	F1+	a+	1	Aa2	P-1	AA-	A-1+	71.4	12	12	4
Barclays Bank	UK	A	F1	a	5	A1	P-1	A-	A-2	80.4	6	6	4
Santander UK	UK	A	F1	a	2	Aa3	P-1	A	A-1	-	6	6	4
Goldman Sachs IB	UK	A	F1	-	-	A+	P-1	A+	A-1	91.2	6	6	4
Standard Charted Bank	UK	A+	F1	a	5	Aa3	P-1	A	A-1	107.4	1	1	4

For colour codings refer to Para. 5.6

Agenda Item No. 972

EAST SUSSEX FIRE AUTHORITY

Date:	14 February 2017
Title of Report:	Appointment of External Auditors
By:	Treasurer
Lead Officer:	Duncan Savage, Assistant Director Resources / Treasurer
Background Papers	Scrutiny & Audit Panel meeting 26 May 2016 (Item 026) – Changes to the arrangements for the appointment of External Auditors Scrutiny & Audit Panel meeting 2 February 2017 (Item 069) – Appointment of External Auditors
Appendices	A – Options for local appointment – analysis B – Letter from PSAA C – Opt in form

Implications

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

PURPOSE OF REPORT	For the Fire Authority to consider the Scrutiny & Audit Panel's preferred option for the appointment of external auditors from 1 April 2018.

EXECUTIVE SUMMARY

Following the abolition of the Audit Commission, the Government appointed Auditors for each local authority by means of a national procurement exercise. The Auditors were appointed with effect from the financial year 2013/2014 on a three-year contract, with an optional extension for a further two years. The parties have agreed to extend the contract which now expires at the completion of the 2017/18 audit.

With effect from the financial year 2018/19, public bodies must appoint their own auditors following a process of competition. This report sets out the requirements to comply with the appointment legislation and recommends a proposed course of action, in particular relating to the future appointment of External Auditors through Public Sector Audit Appointments Limited (PSAA).

The Local Audit (Appointing Person) Regulations 2015 require that the Fire Authority may only make the decision to 'opt-into' the appointing person arrangement by the members of the Fire Authority meeting as a whole.

The current indication from the East Sussex Finance Officers' Association and the Fire Finance Network is that their respective authorities will be supporting the new arrangements and opting-in to the appointing of auditors through the PSAA. The Authority has previously expressed a non-binding interest in opting-in to the PSAA arrangements.

Members of the Scrutiny & Audit Panel considered this report at their meeting on 2 February 2017 and made the following recommendation to the Fire Authority.

RECOMMENDATION:	That the Fire Authority accepts the Public Sector Audit Appointments (PSAA) invitation to opt-in to the sector-led option for the appointment of external auditors from 1 April 2018.

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1. INTRODUCTION

1.1 The Local Audit and Accountability Act 2014 abolishes the Audit Commission and repeals the Audit Commission Act 1998. Its aim, as stated in DCLG guidance, is to give local bodies the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements, with appropriate safeguards to ensure independence.

1.2 This Authority is a "relevant authority" within the scope of the Act. The key accounting and audit obligations will be to keep adequate accounting records and an annual statement of accounts for years ending 31 March and have accounts audited in accordance with the Act by a local auditor appointed under the Act.

1.3 The Authority's current external auditor is Ernst & Young LLP (EY), this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission, the contract is currently managed by PSAA, the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State CLG. Over recent years, local authorities have benefited from reductions in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors, including new contracts negotiated nationally with the firms of accountants, and savings from the closure of the Audit Commission. The Authority's external audit fee for 2016-17 is £30,766.

1.4 For local government (including fire authorities), these transitional arrangements have been extended to include the audit of the accounts for 2017/18. For the 2018/19 year of audit, the Authority can make its own arrangements to appoint the external auditor. The 2014 Act sets out the framework and requirements within which this appointment can be made. In accordance with the Act, the Authority will need to conclude this appointment by the end of December 2017.

1.5 There are 3 options (analysis attached as Appendix A), namely:

a) Make the appointment direct – with the requirement to have an Auditor Panel to advise the Authority on the selection and appointment of a local auditor; or
b) Make the appointment in conjunction with other bodies (e.g. on a regional / sub-regional basis); or
c) Make the appointment via a national collective scheme.

2. APPOINTMENT OF EXTERNAL AUDITORS VIA A COLLECTIVE NATIONAL SCHEME

2.1 In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements. The Local Government Association (LGA) is strongly supportive of this and the PSAA is leading on the development of this national option.

2.2 The PSAA has formally invited the Authority to opt-in to the national scheme for external auditor appointments and a copy of the letter is attached at Appendix B, along with a form of acceptance of invitation (Appendix C), should the Authority decide to join the national scheme. PSAA will make auditor appointments to principal local government bodies that choose to opt-in to the national scheme, for audits of the accounts from 2018/19. PSAA intends to run the scheme in a way that will save time and resources for local public bodies. A collective procurement will secure the best prices, keeping the cost of audit as low as possible for the bodies that choose to opt-in, without compromising on audit quality. Using the scheme will avoid the need for opted-in authorities to:

- establish an audit panel with independent members;
- manage auditor procurement and cover its costs;
- monitor the independence of appointed auditors; and
- manage the contract with the auditor

2.3 The timetable for the new arrangements outlining the appointing auditors is contained within the additional information attached to this report, with the closing date for 'opting-in' of 9 March 2017. The auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

2.4 Any of the options for appointment can allow for collaborative auditor appointments to be made. This enables the same auditor to be appointed to one or more local authorities who have indicated that they collaborate or work in a partnership and wish to make a collaborative auditor appointment. The appointed auditor would still be individually appointed to each authority and would report to each body separately but having the same auditor would bring potential benefits to the local authorities, for example, processing efficiencies through having common audit practices and supporting document requirements. In its invitation letter (Appendix B) PSAA states that it will consult with bodies that opt in on the appointment of their auditor, most likely from September 2017. They will request information on any joint working or collaboration arrangements that we think should influence the appointment once we have opted in. Officers will provide information on both our collaboration with East Sussex County Council / Orbis, primarily for the provision of financial services, and with other emergency services on a range of services / projects, and discuss with PSAA what the best approach to auditor appointment will be.

3. **CONCLUSION**

3.1 Opting-in to the national scheme is one choice open to the Authority. PSAA has the support of the LGA, which has worked to secure the option for principal local government bodies to appoint auditors through a dedicated, sector-led national procurement body.

Agenda Item No. 973

EAST SUSSEX FIRE AUTHORITY

Date	14 February 2017
Title	Pay Policy Statement for 2017/2018
By	Monitoring Officer
Lead Officer	Vicky Chart, Assistant Director Human Resources & Organisational Development

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Background Papers	Fire Authority reports: February 2012 – 625; February 2013 – 708; February 2014 – 773; February 2015 – 836

Appendices	Appendix 1 – Pay Policy Statement

Implications:

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

Purpose of Report	To approve the Fire Authority's Pay Policy statement for the period 1 April 2017 to 31 March 2018.

EXECUTIVE SUMMARY	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 2017.

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

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1. **BACKGROUND**

1.1 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.

1.2 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.

In relation to the above, the authority does not operate performance-related pay for chief officers or bonuses.

It may also include the authority's policies for the financial year relating to other terms and conditions applying to its chief officers. The authority must comply with its Pay Policy Statement for the financial year when making any determination relating to the terms and conditions of a Chief Officer. The Policy can be amended by the Fire Authority at any time throughout the financial year to which it relates.

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.

Thereafter the policy will be published annually, as soon as reasonably practicable after being approved, on the ESFRS website.

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 previous statements. Changes to the presentation reflect our experiences since the pay policy came into force and keeping under review other examples.

Appendix 1

Pay Policy Statement 2017/18

Introduction

The Pay Policy Statement set out below has been compiled in accordance with Sections 38 to 43 of the Localism Act 2011. The Act requires East Sussex Fire Authority to publish a Pay Policy Statement for each financial year. The information contained in this Statement is based on the pay position of employees as at 31 December 2016, unless otherwise stated. The purpose of a Pay Policy Statement is to provide information to the public on the pay arrangements that apply to employees of the Authority, including the Chief Fire Officer and his direct reports. The Statement also includes information on how decisions to set or change pay are made.

Structure of the Workforce

As at 31 December 2016 the Authority employed 774 people (688 full-time equivalents or FTEs). These employees span various pay groups which perform a variety of roles and have different patterns of working to meet service delivery needs. In its simplest form these are employees who either have an operational role (firefighters working on fire stations, control operators and technical staff working in specialist areas) or those who provide administrative and corporate functions such as finance, information systems and human resources.

The Authority has a third group of employees, namely the Principal Officers (Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer).

Number of FTE Staff Employed by Category as at 31 December 2016:

Staff Group	Definition	Number of Staff in Group
Whole-time Firefighters	Firefighters who work 42 hours a week to crew stations 24 hours a day either as firefighters located at the station, or as firefighters located at the station during the day and responding from their own homes on an on-call basis at night, or who work in specialist areas such as Technical Fire Safety.	355
Sussex Control Centre	Staff who receive 999 calls.	53
On-Call Firefighters	A duty system where firefighters respond from their own homes or workplaces located near to the fire station on an on-call basis.	136
Support Staff	Staff who typically do not wear a uniform and work in administrative and professional support functions.	128
Community Support Front Line	Specialist staff who provide fire and road safety prevention advice and offer home safety services and specialist advice for those more at risk.	13
Principal Officers/ Statutory Officers	Principal Officers comprise the Chief Fire Officer, Deputy Chief Fire Officer, and Assistant Chief Fire Officer.	3

Pay Policy

The overarching framework for pay and conditions of service for staff employed by the Authority is governed by three National Joint Councils. These are the NJC for Local Authority Fire and Rescue Services, the NJC for Local Government Services and the NJC for Brigade Managers of Local Authority Fire and Rescue Services. The principal role of each of these national bodies is to reach agreement on a national framework of pay and conditions of service for authorities to apply locally. Each NJC is made up of people who represent the employers and others who represent employees; the latter will typically be trade union representatives. The frameworks of pay and conditions set by each of these national bodies are locally referred to as the Grey Book (applies to uniformed staff); the Green Book (applies to staff who do not wear a uniform); and the Gold Book (applies to the Principal and Statutory Officers) respectively.

Each NJC acknowledges that its national framework of pay and conditions will need to be adjusted locally to reflect local needs. Where appropriate, this will be undertaken through local agreement, with recognised trade unions where they exist or, alternatively, through local decision-making processes.

The Equality Act 2010 gives women (and men) a right to equal pay for equal work. The Authority undertook an equal pay audit in 2011 to ensure that its pay and benefits policy and practice were not being applied inconsistently, resulting in unequal pay for work of equal value for men or women. There were no major areas of concern identified as a result of the audit, those areas which did need review have been catered for in the introduction of the new job evaluation scheme during 2016/2017.

Local Variations to Pay and Conditions of Service

The national pay agreements and the terms and conditions constitute a minimum standard but it is acknowledged that these can be modified through local negotiation to reflect local needs. There is a mechanism in place to agree such changes. However, any changes to the pay or conditions of service of the Principal Officers must be approved by the Authority's Principal Officers Appointments Panel. The Fire Authority will be informed of any national changes to the pay or terms and conditions of all employees.

Pay Structure

Each category of staff will be linked to a separate pay structure which is directly linked to a national pay agreement. When the pay agreement has been amended to reflect local needs, Members of the Authority will be updated accordingly.

The pay structure for uniformed staff is based on the national pay agreement which is negotiated and issued by the National Joint Council. The pay structure for uniformed staff is based upon six roles, each having a development or competent pay point. Move from one to the other is based on an individual completing a development programme which is then subject to independent verification. The annual salary within each role is a fixed point salary. This means that, unless the employee is promoted, or a national pay award is agreed, the salary will remain unchanged. Employees may move up the pay structure through promotion into a higher role. For an employee to do this they must be approved by their line manager as having demonstrated the type of behaviours and skills required of an employee operating at the higher level; potentially have attended an assessment centre; and then be successful through interview for a role at the higher level.

The pay structure is different for those staff the majority of whom do not wear a uniform. Employees are appointed to a post which has a specific pay grade assigned to it. Within each grade there are spinal column points. The experience and skills of the employee are evaluated against the requirements of the job which will then determine the pay point to which they are appointed. Progression to higher pay points within the grade is made on an annual basis.

Pay Awards

An annual pay increase is awarded based on the outcome of the relevant national pay negotiation process. Based upon the decisions taken at a national level by the NJCs relevant to this Authority, the Authority's Green Book staff received a pay award of 1%, applicable from 1 April 2016, and Grey Book Staff received a 1% award, effective from 1 July 2016. The pay award for the Principal Officers/Treasurer was a 1% increase and was awarded in January 2016.

How are Grades and Roles Determined?

When a post is created or has changed significantly it is evaluated in order that it can be matched against the appropriate grade for the role. A job evaluation process is used to determine the grade of a post. The process of job evaluation considers a range of factors relating to the demands of the job, including knowledge necessary to do the job; complexity; level of discretion in, and potential impact of, decision-making; accountabilities in relation to people, finance and physical resources such as equipment or property. The job evaluation process ensures that the principle of equal pay for work of equal value is met and that the demands required of the post are assessed as objectively as possible. The job evaluation process includes input from trained individuals from across the organisation, including union representatives.

Pension Arrangements

The Authority currently administers four occupational pension schemes. There are three schemes for firefighters: the Firefighters' Pension Scheme 1992 (FPS) (closed to new entrants from April 2006), the New Firefighters' Pension Scheme 2006 (NFPS) and the Firefighters' Pension Scheme 2015 for new entrants. The employee contribution rates effective from 1 April 2015, determined by statute, currently range from 11.0% to 17.0% for the FPS, 8.5% to 12.5% for the NFPS and 10% to 14.5% for FPS 2015, depending on salary level. Employer contribution rates are 21.7% (FPS), 11.9% (NFPS) and 14.3% of core pensionable pay.

The Firefighters' Pension Scheme 2015 (FPS 2015), Firefighters' Pension Scheme (FPS) and New Firefighters' Pension Scheme (NFPS) are statutory schemes. The rules and regulations governing the schemes are laid down by the Government.

There are some provisions of the Schemes that are discretionary. Discretionary powers allow employers such as East Sussex Fire Authority to choose how, or if, they apply certain provisions.

Generally these discretions lead to enhanced benefits to scheme members, but result in an additional strain on the pension fund. As at 31 December 2016 no discretions have been awarded under the schemes.

Green Book staff are auto-enrolled onto the Local Government Pension Scheme (LGPS). The employee contribution rates for this scheme currently range from 5.5% to 12.5% depending on salary level. The employer contribution rate is 12.5%.

The new Local Government Pension Scheme 2014 came into effect on 1 April 2014. The Scheme is a 'Career Average Revalued Earnings' (CARE) Scheme, which is a move away from a final salary scheme.

The Local Government Pension Scheme (LGPS) is a statutory scheme. The rules and regulations governing the schemes are laid down by the Government.

There are some provisions of the Scheme that are discretionary. Discretionary powers allow employers such as East Sussex Fire Authority to choose how, or if, they apply certain provisions.

Generally these discretions lead to enhanced benefits to scheme members, but result in additional costs which fall to the Authority and <u>not</u> to the pension scheme. As at 31 December 2016 no discretions have been awarded under the new scheme.

Senior Officers

The Authority is required to publish information relating to the pay of its most senior employees, which are defined as those employees whose annual salary is £50,000 or more. This information is published on an annual basis in the Authority's Statement of Accounts.

Post	FTE Salary	Notes
Chief Fire Officer	£138,663	Plus management allowance of 12% of salary
Deputy Chief Fire Officer	£111,133	Car provided
Assistant Chief Fire Officer	£104,253	Car provided
Assistant Director – Operational Support & Resilience	£56,685	Response car provided plus 20% flexible duty system allowance.
Assistant Director – Safer Communities	£51,677	Response car provided plus 20% flexible duty system allowance.
Assistant Director – Human Resources & Organisational Development	£58,843	Eligible for lease car provision (taken).
Assistant Director – Training & Assurance	£56,332	Eligible for lease car provision (not taken).
Assistant Director – Planning & Improvement	£55,119	Eligible for lease car provision (not taken).
Assistant Director – Resources / Treasurer	£78,424	Eligible for lease car provision (not taken).
ITG Manager	£66,976	
Strategic Engineering Manager	£55,119	Lease car provision (eligible due to mileage)
Estates Manager	£53,932	
ESMCP Regional Co-Ordinator	£56,685	Response car provided plus 20% flexible duty system allowance.
Finance Manager	£55,119	

Decisions made by the Fire Authority in relation to structure, establishment and posts

The Fire Authority agreed a new structure following a senior management review. The new structure commenced on 1 March 2016. Payments to redundant managers have been in accordance with legislation and Fire Authority procedures, including the 2016/17 pay policy.

Ratio between Highest Earner and Average Earnings of the Organisation and Definition of 'Lowest Paid'

The Authority is required to publish information which expresses as a ratio the difference between the pay of its highest paid employee and the average pay for all other employees.

The Authority is also required to publish its own definition of 'lowest paid' employees as it applies to the Authority's workforce.

The Authority has a range of staff employed on different conditions of service and this means that it has a range of salary levels. Some staff are employed on contracts which are regarded as secondary employment. This means that they are able to undertake their contract in addition to other full-time employment. Specifically, this relates to firefighters who work the 'On Call' duty system, providing on call availability from their home or place of work. These employees have full-time work outside the Authority.

The Authority also has a group of staff employed on annualised contracts. These are part-time contracts worked by staff that may have primary employment elsewhere. However, they could be staff who are already employed by the Authority but whose working pattern allows them to work some additional hours whilst still maintaining appropriate levels of rest. For the purposes of publishing information on the comparison of pay in relation to the Authority's highest earner when compared to the rest of the workforce and a definition of the 'lowest paid' in the context of the Authority, these groups of employees has not been included. This is because these posts constitute secondary employment and will typically be for a lower number of hours, which results in no true full-time equivalent salary. They would, therefore, skew the results of any comparison to full-time salaries.

The table below sets out the difference between the pay of the highest paid employee (the Chief Fire Officer) when compared to the average pay of all other employees. The information illustrates that the Chief Fire Officer's pay is (4.68) times more than the average pay of a competent Firefighter role as at 31 December 2016. This differential is £109,025.

The Chief Fire Officer and Principal Officers received a pay award in January 2016. This was in line with the NJC guidance in that all Principal Officers receive an increase of 1% of basic salary.

	December 2014	December 2015	December 2016
Chief Fire Officer	£135,931	£137,290	£138,663
Mean Salary	£29,054	£29,345	£29,638
Ratio	4.68	4.68	4.68

This ratio is calculated by dividing the Chief Fire Officer's pay by the average mean salary for a Firefighter (excluding secondary contracts). The number of other staff is the average FTE for the 12 months ending 31 December 2016.

The Authority's Definition of 'Lowest Paid' Employees

The Authority regards its lowest paid employees to be those employed on its Green Book conditions of employment. These are employees who do not wear a uniform and who work in administrative and corporate function areas.

Re-Engagement of Employees

The Authority does not have a policy on re-engagement. Former employees are entitled to apply for posts in accordance with a competitive process and, if employed, usual rules on pension arrangements (should the individual be in receipt of one) apply.

Occasionally, due to the specialist nature of the Fire Service, specialists or experts may be called in under a contract for consultancy services. Up to the end of December 2016, one such contract was let. This was to support the Accident Investigation Team following a serious injury to a fire fighter. The contract lasted from 1 July 2015 to 23 September 2015.

Agenda Item No. 974

EAST SUSSEX FIRE AUTHORITY

Date	14 February 2017
Title of Report	Health, Safety & Well-being Strategy 2017-2020
By	Chief Fire Officer
Lead Member	Councillor Stuart Earl
Lead Officer	Hannah Scott-Youldon Assistant Director – Training & Assurance

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Background Papers

ESFRS Integrated Risk Management Plan;
CIPD Policy Report – "Growing the Health & Well-being Agenda: from first steps to full potential" – January 2016;
ACAS – Health, Work and Well-being booklet;
HSE – Helping Great Britain work well – A new Health & Safety System Strategy;
Workplace Wellbeing Charter;
IOSH – Working Well – guidance on promoting health & wellbeing at work;
DCLG Health, Safety & Welfare Framework for the Operational Environment;
NICE Workplace health: management practices – 24 June 2015

Appendices Draft Health, Safety & Well-being Strategy 2017-2020

Implications

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

PURPOSE OF REPORT

The Authority has in place an existing Health & Safety Strategy that forms part of the suite of strategies that sit within the Fire Authority Constitution. It was due for review in 2015. This has now been reviewed and refreshed to incorporate the new governance structure that envelopes health and safety, as well as setting the strategic direction for not only the health and safety of East Sussex Fire Authority employees but also the mental well-being of our staff.

RECOMMENDATION

To support the revised Health, Safety & Well-being Strategy for 2017-20 (attached as Appendix A and recommend for adoption.

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1. OVERVIEW

1.1 The current Health & Safety strategy was due to be reviewed in January 2015, this unfortunately was delayed due to capacity issues within the Health & Safety team. However, this has provided an opportunity to align it to the recommendations made by the Hereford & Worcester Health & Safety peer audit undertaken in February 2016.

1.2 The revised strategy provides the over-arching framework for managing health, safety and well-being across the Service over the next three years and provides a clear and transparent governance structure moving forward, whilst demonstrating both leadership and ownership from the very top.

1.3 To demonstrate leadership from the top, the Fire Authority now has a Health, Safety & Wellbeing Lead Member – Councillor Earl. Regular meetings will be held to discuss travel of direction against the Strategy and against the action plan that determines the delivery of the Strategy.

1.4 Further to this, quarterly reports will be provided to the Fire Authority via the Scrutiny & Audit panel.

1.5 The Strategy has been aligned to the current IRMP to ensure that it underpins our organisational Commitments, thus fulfilling the Purpose of the Organisation as detailed within the IRMP.

1.6 This Strategy will provide a clear delivery plan to enable the Health Safety & Well-being Committee to measure the success of the objectives, provide a clear set of policies and a structured well-being programme.

2. CONTEXT

2.1 The Strategy has 2 key elements: 1) Health & Safety and 2) well-being, from which run five themes.

2.2 Previous Health & Safety strategies have largely focussed on physical safety, for example, accidents, injury, slips, trips and hazardous chemicals. Whilst it is right that the Strategy continues to have a focus on physical safety and Firefighter Safety there is also a recognition within the Strategy of the importance of the psychosocial environment (i.e. the workplace) and the risks presented for mental health.

2.3 The delivery plan that will sit underneath this strategy will include interventions that have been geared towards enhancing positive wellbeing, rather than just preventing negative impact, for example, exploring the introduction of quarterly Mental Wellbeing days which could focus on particular topics, such as change readiness workshops and exercise, to name but a few.