

Policy & Resources Panel

25 July 2019



Membership:

Councillors: Peltzer Dunn (Chairman), Boorman, Galley, Powell, Pragnell, Scott and Tutt

You are requested to attend this meeting to be held in the County Hall, East Sussex County Council, St Anne's Crescent, Lewes at 11.30 am

Quorum: 3

Contact:	Ellie Simpkin, Democratic Services Officer 01323 462085 democraticservices@esfrs.org
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Agenda

1. Declarations of Interest

In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members.

2. Apologies for Absence/Substitutions

3. Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items

Any Members wishing to raise urgent items are asked, wherever possible, to notify the Chairman before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgently.

4. Minutes of the last Policy & Resources meeting held on 5 June 2019 5 - 8

5. Callover

The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be reserved for debate. The Chairman will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.

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|-----------|--|----------------|
| 6. | Revenue Budget & Capital Programme Monitoring 2019/20 | 9 - 28 |
| | Report of the Assistant Director Resources/Treasurer | |
| 7. | Provision of Finance Support Services | 29 - 36 |
| | Report of the Assistant Director Resources/Treasurer | |

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

Date of Publication: 17 July 2019

Information for the public

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POLICY & RESOURCES PANEL

Minutes of the meeting of the POLICY & RESOURCES PANEL held at Birch Suite, Muriel Matters House, Hastings Borough Council, Breeds Place, Hastings TN34 3UY at 11.30 am on Wednesday, 5 June 2019.

Present: Councillors Barnes (Chairman), Boorman, Tutt, Pragnell and Scott

Also present: D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), M Matthews (Assistant Director Safer Communities), H Scott-Youldon (Assistant Director Training & Assurance), C Williams (Station Manager – Business Safety Support) and E Simpkin (Democratic Services Officer)

129 Declarations of Interest

Councillor Boorman declared that his wife was a Lewes District Council Councillor.

130 Apologies for Absence

Apologies for absence were received from Councillor Dowling. Councillor Boorman was attending as his substitute. Apologies had also been received from Councillor Theobald.

131 Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items

There were none.

132 Minutes of the last Policy & Resources Panel meeting held on 17 January 2019

RESOLVED: That the minutes of the meeting of the Policy & Resources Panel held on 17 January 2019 be approved as a correct record and signed by the Chairman.

133 Callover

Members reserved the following items for debate:

134 Revenue Budget & Capital Programme Monitoring Provisional Outturn 2018/19.

It was noted that agenda item 135 had been withdrawn.

Unconfirmed minutes – to be confirmed at the next meeting of the Policy & Resources Panel

134 Revenue Budget & Capital Programme Monitoring Provisional Outturn 2018/19

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) which presented the provisional outturn for the 2018/19 Revenue Budget and Capital Programme. The ADR/T introduced the report, highlighting that the 2018/19 draft accounts were now available on the website for public inspection. The position as, outlined in the report, was subject to external audit processes.

The ADR/T was pleased to report a broadly positive position with a forecast underspend of £193,000 – a significant improvement from the £557,000 forecast overspend which was reported in November 2018. This improved position was attributed to actions taken by the Senior Leadership Team to manage down the overspend as well as unexpected grant receipts relating to the refund of Retained Business Rates and section 31 Grants. There was overspend in the areas of Information Technology Governance and Safer Communities. Plans had been put in place both in the budget setting process and through improved reporting and financial monitoring to address the overspend. The Panel commended the work which had taken place to manage the forecast overspend to achieve a positive position.

The Panel queried whether a further drawn down of reserves would be required for the Sussex Control Centre (SCC). The ADR/T informed the Panel that a report providing a practical assessment of the SCC project including the financial implications, would be presented to a future Fire Authority meeting. This report would address Phase 2 of the current mobilising system, West Sussex County Council's (WSCC) exit, Project 21 (future mobilising) as well as the revenue implications of the period between WSCC's exit and the commencement of any new service from March 2021. Members agreed that it would be important to delineate the financial implications of present and future arrangements.

The ADR/T addressed the Capital Programme monitoring, reminding the Panel that a revised programme was agreed in February 2019. There had been further slippage on fleet purchases, however, new appliance chassis had now been completed. The ADR/T commented on the ambitious Capital Programme for 2019/20 with new appliances and significant estates projects.

The Panel noted a correction to table 6.5.7 on page 16 of the report. The figure of £57,000 stated in the report omitted the £90,000 Operational Response Review bid. The total shortfall to be funded from the 2019/20 contingency was £147,000.

The Panel commented on the investment return rates which they felt were slightly low. The ADR/T explained that investments had been made in accordance with the Treasury Management Strategy agreed by Members. Interest rates remained low. Officers were looking into alternative investments such as property funds and would be presenting potential options to Members in due course.

Unconfirmed minutes – to be confirmed at the next meeting of the Policy & Resources Panel

RESOLVED: That the Panel:

1. Notes:

- (i) the provisional 2018/19 Revenue Budget outturn;
- (ii) the provisional Capital Programme outturn and slippage;
- (iii) the use of reserves during the year;
- (iv) the savings taken in 2018/19; and
- (vi) the year-end investments.

2. Approves the use of the provisional Revenue Budget underspend as set out in paragraph 6.5 of the report.

135 Restricting Exit Payments in the Public Sector - Draft Consultation Response

Item withdrawn.

136 Exclusion of Press & Public

RESOLVED: To exclude the public and press from the meeting for the remainder of the business on the grounds that if the public and press were present there would be disclosure to them of exempt information, as specified in paragraph 3 of Part 1 Schedule 12A of the Local Government Act 1972 as amended i.e. that it includes information relating to the financial and business affairs of any particular person (including the authority holding that information) and any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority and employees of the authority.

137 Confidential Minutes of the last Policy & Resources Panel meeting held on 17 January 2019

RESOLVED: That the confidential minutes of the meeting of the Policy & Resources Panel held on 17 January 2019 be approved as a correct record and signed by the Chairman.

The meeting concluded at 12.05 pm

Signed

Unconfirmed minutes – to be confirmed at the next meeting of the Policy & Resources Panel

Chairman

Dated this

day of

2019

EAST SUSSEX FIRE AND RESCUE SERVICE

Panel Meeting Policy and Resources

Date 25 July 2019

Title of Report Revenue Budget and Capital Programme Monitoring 2019/20

By Duncan Savage – Assistant Director Resources/Treasurer

Lead Officer Warren Tricker – Finance Manager

Background Papers None

Appendices

- Appendix 1: 2019/20 Revenue Budget – Functional Analysis
- Appendix 2: 2019/20 Capital Budget Monitoring
- Appendix 3: All Years Capital Budget Monitoring (to 2023/24)
- Appendix 4: 2019/20 Reserves Projections
- Appendix 5: Monitoring of Savings 2019/20 - 2019/20
- Appendix 6: Investment as at 30 June 2019

Implications

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

PURPOSE OF REPORT To report on issues arising from the monitoring of the 2019/20 Revenue Budget and Capital Programme as at 30 June 2019.

EXECUTIVE SUMMARY At this very early stage in the financial year with the focus on financial close and the preparation of the draft accounts this report focuses principally on the risks to the revenue and capital budgets.

The Revenue Budget is projected to be £36,000 underspent reflecting where forecasts can be made with some certainty.

The overall Capital Programme and the current year's Capital Programme, are both at this early stage, projected to be £70,000 underspent. There are a number of 2018/19 schemes that underspent, through the programme slipping, that have now been added to the 2019/20 current year schemes (£0.776m) bringing the total value of the capital budget in year to £7.457m.

The Authority maintains Earmarked and General Reserves in order to assist it in managing its spending plans across financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Reserves). A summary of the current planned use of Reserves, updated with the latest operational position, can be found at Appendix 4.

A summary of the savings, £0.413m, already taken from the 2019/20 budget, is set out in Appendix 5.

RECOMMENDATIONS

The Panel is asked to:

1. Note:

- (i) the risks to and the projected Revenue Budget underspend;
- (ii) the risks to and the projected underspend in the Capital Programme;
- (iii) the use of reserves;
- (iv) the monitoring of savings taken in 2019/20;
- (v) the current year investments; and
- (vi) the slippage in the Capital Programme

2. Approve variations to the Capital Programme by £70,000 for the provision of vehicle telemetry to be funded from underspends in the 2019/20 Fleet Capital Programme and £118,000 for vehicle cameras to be funded by Integrated Transport Function Grant.
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1. Introduction

- 1.1 This report is based upon enquiries as at 30 June 2019. The Report discloses the main risks, issues.

	This report £'000
Revenue (see paragraph 2)	(36)
Capital in year (see paragraph 4)	(70)

- 1.2 This is the first report to Policy and Resources for 2019/20 financial year and at this very early stage it is difficult to accurately forecast outturn and there may be elements both internal and external that will influence the final position, but early indications show a projected underspend of £36,000. There is a small projected underspend on the in-year Capital budget of £70,000.
- 1.3 This Report highlights risks to the 2019/20 Revenue Budget that may result in significant change to the projections. While certainty increases as the year progresses circumstances change and new risks arise and this Report considers the risks faced.

2. Revenue Budget Commentary

- 2.1 **Training & Assurance:** On target.
- 2.2 **Resources/Treasurer:** On target.
- 2.3 **Planning & Improvement:** On target.
- 2.4 **Human Resources & OD:** Both the HR and Occupational Health budget are currently under review. In Occupational Health to establish whether the existing budget is sufficient for the delivery of the services. Proposals to restructure HR are being consulted on and the changes are expected to be cost neutral. There is also an estimated £15,000 to £30,000 one-off pressure to complete data validation exercises in pensions which may not be containable within the existing budget.
- 2.5 **Safer Communities:** On target.
- 2.6 **Operational Support & Resilience:** There are pressures on the Engineering budget where necessary alterations to vehicles is putting pressure on the revenue budget. At this stage it is hoped to absorb within the existing budget and the forecast remains on target.
- 2.7 **CFO Staff:** On target.
- 2.8 **Treasury Management:** Early indications show that if investment income in 2019/20 is matching the performance achieved in 2018/19 a forecast £60,000 underspend can be prudently projected.

- 2.9 **Non Delegated Costs:** There is a projected overspend on Injury Awards and Ill Health retirement costs of £24,000. Officers will be pursuing mitigating actions including the regular review of existing awards in line with statutory guidance, as agreed as part of the budget setting process.
- 2.10 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manage in year budget pressures and was set at £563,700 for 2018/19. For the purposes of this report the budget is assumed to be spent in full. The table below shows how the contingency has been allocated, to date, with £51,300 remaining.

Corporate Contingency 2019/20	£'000
Original Budget	563,700
Carry forward funding	150,000
Total budget	713,700
Committed	
Ops P&P SM 42 secondment 4 months	17,700
Hep B vaccinations	25,000
Fire cadet Scheme - Year 1 set up only	13,200
Additional internal audit costs 19/20	6,600
SCC	250,000
Web-ex Implementation - one off	32,900
Ship alongside training 19/20 only	20,000
Talent Link, estimated part year revenue impact	12,000
Corporate Wi-Fi, estimated part year revenue effect	18,000
Carry forwards:	
Operational Review Team	90,000
Programme Management Office	42,000
Malling Large Refurbishment	20,000
Engineering Equipment	138,000
Uniform and PPE	7,000
Total committed	692,400
Total Remaining	21,300

3. Monitoring of Savings

- 3.1 Appendix 5 shows the savings to be achieved in 2019/20. The relevant budgets have already been reduced in preparing the 2019/20 budget.

4. Capital Programme Commentary

- 4.1 The Panel are reminded this is the largest Capital Programme for some years and that the average annual spend in recent years has been £1,658,000 so delivering to plan will be challenging.
- 4.2 **Fire Appliances:** There is a forecast underspend on the purchase of fire appliances of £70,000 as costs are lower than anticipated.

- 4.3 The Panel are asked to note the slippage from 2018/19 to be added to the 2019/20 Capital Programme, see table below

Scheme	Amount to be added
	£'000
Lewes	50
Preston Circus	31
Uckfield	10
Design Guide Schemes	(20)
BA Chamber Works	6
Sussex Control Centre	37
Fire Appliances 2017/18	270
Ancillary 2018/19	60
BA & Ancillary Equipment	322
Total	766

- 4.4 The forecasting, as well as the tables in Appendix 2 and 3 include these figures from the above table.
- 4.5 It is recommended that the Capital Programme is varied for the purchase and installation of vehicle telemetry. The current fleet already has telemetry fitted which is at the end of its useful life and this variation will permit its replacement. The cost is estimated at £70,000 and will be funded from anticipated underspends in the 2019/20 Capital Programme on the 2017/18 replacement Fire appliances scheme.
- 4.6 It is recommended that the Capital Programme is varied for the purchase and installation of on board cameras and video recording systems. This is estimated to cost £118,000 and will be met in full by grant funding from the Integrated Transport Function. It has been suggested that there will be a saving of circa £20,000 per year on the Authority's insurance bill.

5. Revenue Budget and Capital Programme Risks

- 5.1 **Safer Communities:** The Safer Communities budget makes up 53% of the Service's overall revenue budget and overspent in 2018/19. It remains a risk in the current year but a number of factors should improve its management:
- the implementation of the Service Delivery Review with clarity of structure, fewer temporary posts and clearer expectations including on budget management
 - additional funding in the budget (£0.370m base and £0.240m one off for resilience crewing)
 - use of Safer Business Training Reserve to fund a number of related activities (£0.105m), (subject to detailed plans)
 - regular Resource Planning meetings involving Safer Communities, HR and Finance to manage the operational (Grey Book strength compared to establishment)

Monitoring through the Resource Planning meeting is still developing but currently indicates that actual strength is close to or marginally above the level allowed for by the budget allocated. However it is early in the year and we know that the mitigating underspend in Business Safety is unlikely to re-occur as all posts are filled. In addition the funding for the Health Co-ordinator post in Community Safety is dependent on securing grant or other external income.

5.2 **Swift Water Rescue:** The FBU has registered a local dispute claiming that an Additional Responsibility Allowance (ARA) should be paid in relation to Swift Water Rescue. This could have potential financial impacts both one off (for back pay) and ongoing and these are now being estimated. The matter has now progressed to binding arbitration and at this stage no provision is being made in the Authority's accounts.

5.3 **Sussex Control Centre:** A report was presented to the Fire Authority on 3 July 2019 setting out a way forward for the four work streams of the SCC project:

- Phase 2
- Exits Strategy
- Project 21
- SCC Operations

The cost, has been forecast as £1.8m (excluding the cost of implementing the Project 21 solution which will be the subject of a full business case to a Fire Authority meeting in the autumn). Funding will come from existing sources (£0.425m) and the balance of £1.375m from the Authority's reserves (see paragraph 6.2).

5.4 There are a number of risks and consequences resulting from this:

- General Balances will be reduced below the minimum set out in the
- Authority's Reserves Policy
- Capacity for investment in improvement and efficiency projects will be
- reduced significantly
- The Authority's financial flexibility and ability to manage risks will be reduced
- Revenue income from short term investments will reduce (£1m invested at
- 1% would provide £10,000pa) and the need for external borrowing to fund other programmes will be brought forward increasing revenue costs.
- The Business Rates Pilot Reserve is vulnerable to volatility in business rates income.

The Authority will need to consider the extent to which it intends to replace the amounts drawdown from its Reserves as part of its future financial planning, potentially, by generating additional / earlier revenue savings.

5.4 **Information Technology Group:** The ITG budget overspent by almost £0.300m in 2018/19. The pressures that drove this have been addressed through the budget setting process, but there remains that risk that as new IT services are brought on stream as part of the transformation programme this will introduce new pressures to the IT budget. Monitoring processes have been strengthened for the current year and an internal audit will be carried out in Q1 / Q2.

5.5 **Apprenticeship Levy:** From May 2019 any unutilised apprenticeship levy funding will be lost on a month by month basis. Significant effort has been expended to increase the number of apprenticeships but there is a risk that part of the £8,000 per month available will be lost until the scheme is fully embedded.

5.5 **Capital Programme Delivery:** The slippage from 2018/19 of £766,000 has been added to the previously agreed Capital Programme taking the total for 2019/20 to £7.457m. This is significantly higher than the value of actual spend in recent years during which time has seen material slippage against both original and revised capital budgets. There is therefore a risk that we could again see significant slippage if projects are not managed and monitored effectively.

6. Reserves

6.1 The table in Appendix 4 shows the planned use of reserves for 2019/20.

6.2 The planned transfers are as recorded in the Fire Authority meeting in February 2019 and reflect the following funding agreed for the SC Project in July 2019

	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
SCC Reserve	175.0			175.0
Revenue Contingency	250.0			250.0
Improvement & Efficiency Reserve	500.0			500.0
General Balances	298.0	97.0		395.0
BR Pilot Reserve		480.0		480.0
Total funding	1,223.0	577.0	0.0	1,800.0

7. Borrowing and Investment

7.1 As at the 30 June 2019, the Authority held cash balances of £24.54m which were invested as set out in Appendix 6 in accordance with the Treasury Management Strategy.

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East Sussex Fire Authority
2019/20 Revenue Budget – Objective Analysis

	Original Budget	Revised Budget	Projected Outturn	Variance	Variance	Variance last report
	£'000	£'000	£'000	£'000	%	£'000
Training and Assurance	2,333	2,324	2,324	0	0.0	
Resources/Treasurer	7,101	7,191	7,191	0	0.0	
Planning and Improvement	1,331	1,454	1,454	0	0.0	
Total Deputy Chief Fire Officer	10,765	10,969	10,969	0	0.0	0
Human Resources and OD	1,147	1,168	1,168	0	0.0	
Safer Communities	20,562	20,575	20,575	0	0.0	
Operational Support	3,689	4,122	4,122	0	0.0	
Total Assistant Chief Fire Officer	25,398	25,865	25,865	0	0.0	0
CFO Staff	657	656	656	0	0.0	
Treasury Management	856	856	796	(60)	(7.0)	
Non Delegated costs	(828)	(828)	(804)	24	(2.9)	
Corporate Contingency	506	96	96	0	0.0	
Transfer from Reserves		(260)	(260)	0	0.0	
Transfer to Reserves	1,683	1,683	1,683	0	0.0	
Total Corporate	2,874	2,203	2,167	(36)	(1.6)	0
Total Net Expenditure	39,037	39,037	39,001	(36)	(0.1)	0
Financed By:						
Council Tax	(27,215)	(27,215)	(27,215)	0	0.0	
Business Rates	(11,346)	(11,346)	(11,346)	0	0.0	
S31 Grants	(375)	(375)	(375)	0	0.0	
Collection Fund Surplus/Deficit	(101)	(101)	(101)	0	0.0	
Total Financing	(39,037)	(39,037)	(39,037)	0	0.0	0
Total Over / (Under) Spend	(0)	0	(36)	(36)	(0.1)	0

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**East Sussex Fire Authority
2019/20 Capital Budget Monitoring**

	Total Budget	Revised Budget	Projected spend	Variance	Variance
	£'000	£'000	£'000	£'000	%
Property					
Shared Investment Schemes					
Integrated Transport Project	100	100	100	0	0
- Partner contribution					
Integrated Transport Project net cost	100	100	100	0	0
One Public Estate					
- Heathfield	50	50	50	0	0
- Partner contribution					
- Heathfield net cost	50	50	50	0	0
- Lewes	200	250	250	0	0
- Partner contribution					
- Lewes net cost	200	250	250	0	0
- Preston Circus	1,000	1,031	1,031	0	0
- Partner contribution					
- Preston Circus net cost	1,000	1,031	1,031	0	0
- Uckfield	70	80	80	0	0
- Partner contribution					
- Uckfield net cost	70	80	80	0	0
Total Shared Investment Schemes	1,420	1,511	1,511	0	0
Strategic Schemes					
Design Guide Schemes	727	707	707	0	0
BA Chambers works	0	6	6	0	0
Replacement Fuel Tanks	220	220	220	0	0
Sustainability	180	180	180	0	0
Security	42	42	42	0	0
Total Strategic Schemes	1,169	1,155	1,155	0	0
General Schemes	786	786	786	0	0
Total Property	3,375	3,452	3,452	0	0

Information Management					
Sussex Control Centre	0	0	0	0	0
Fleet and Equipment					
Aerial Appliances	700	700	700	0	0
Fire Appliances	1,600	1,870	1,800	(70)	(0.04)
Ancillary Vehicles	828	888	888	0	0
Cars	84	84	84	0	0
Vans	141	141	141	0	0
BA & Ancillary Equipment	0	322	322	0	0
Total Fleet and Equipment	3,353	4,005	3,935	(70)	(0.02)
Total Expenditure	6,728	7,457	7,387	(70)	(0.01)

**East Sussex Fire Authority
2019/20 - 2023/24 Capital Budget Monitoring**

Capital Programme Expenditure					
	Total Budget	Revised Budget	Projected spend	Variance	Variance
	£'000	£'000	£'000	£'000	%
Property					
Shared Investment Schemes					
Integrated Transport Project	1,000	1,000	1,000	0	0
- Partner contribution					
Integrated Transport Project net cost	1,000	1,000	1,000	0	0
One Public Estate					
- Heathfield	50	50	50	0	0
- Partner contribution					
- Heathfield net cost	50	50	50	0	0
- Lewes	250	300	300	0	0
- Partner contribution					
- Lewes net cost	250	300	300	0	0
- Preston Circus	3,138	3,169	3,169	0	0
- Partner contribution					
- Preston Circus net cost	3,138	3,169	3,169	0	0
- Uckfield	100	110	110	0	0
- Partner contribution					
- Uckfield net cost	100	110	110	0	0
Total Shared Investment Schemes	4,538	4,629	4,629	0	0
Strategic Schemes					
Design Guide Schemes	4,021	4,001	4,001	0	0
BA Chambers works	405	411	411	0	0
Replacement Fuel Tanks	220	220	220	0	0
Sustainability	445	445	445	0	0
Security	160	160	160	0	0
Total Strategic Schemes	5,251	5,237	5,237	0	0
General Schemes	3,925	3,925	3,925	0	0

Total Property	13,714	13,791	13,791	0	0
Information Management					
Sussex Control Centre	1,643	1,680	1,680	0	0
Fleet and Equipment					
Aerial Appliances	1,400	1,400	1,400	0	0
Fire Appliances	7,320	7,590	7,520	(70)	(0.01)
Ancillary Vehicles	3,451	3,511	3,511	0	0
Cars	1,646	1,646	1,646	0	0
Vans	546	546	546	0	0
BA & Ancillary Equipment	1,003	1,325	1,325	0	0
Total Fleet and Equipment	15,366	16,018	15,948	(70)	(0.00)
Total Expenditure					
	30,723	31,489	31,419	(70)	(0.00)

**East Sussex Fire Authority
2019/20 Reserves Projections**

Description	Opening Balance 01/04/19 £'000	2019/20 Planned Transfers In £'000	2019/20 Planned Transfers Out £'000	2019/20 Actual Transfers In £'000	2019/20 Actual Transfers Out £'000	Projected Closing Balance 31/03/20 £'000
Earmarked Reserves						
Improvement and Efficiency	1,303		(675)		(1,136)	167
Sprinklers	490	150	(250)	150	(347)	293
Insurance	249					249
RPE and communications	192				(192)	0
ESMCP ESFRS readiness	1,425		(765)		(1,425)	0
ESMCP Regional Programme reserve	799	249	(485)	249	(485)	563
Responding to new risks Revenue	18				(18)	0
Safer Business Training	476		(164)		(105)	371
IT Strategy	3,370	483	(1,200)	483	(1,239)	2,614
Wholetime Firefighter recruitment	308		(308)		(308)	0
SCC	175		(455)	1,048	(1,223)	0
Business Rates Retention Pilot	0	550		550		550
Carry Forwards	193				(150)	43
Capital Programme Reserve	4,761	500		500		5,261
Total Earmarked Reserves	13,759	1,932	(4,302)	2,980	(6,628)	10,111
General Fund	2,417				(298)	2,119
Total Revenue Reserves	16,176	1,932	(4,302)	2,980	(6,926)	12,230
Capital Receipts Reserve	9,477	515	(6,296)	515	(6,583)	3,409
Total Capital Reserves	9,477	515	(6,296)	515	(6,583)	3,409
Total Usable Reserves	25,653	2,447	(10,598)	3,495	(13,509)	15,639

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East Sussex Fire Authority

CUMULATIVE CURRENT SAVINGS		Budget	Forecast	Variance
Category	Description	2019/20	2019/20	2019/20
		£'000	£'000	£'000
Operational	Unachievable 0.5% on Grey Book Pay 2018/19	95	95	0
2017/18 budget setting	Management Restructure	(30)	(30)	0
2019/20 budget setting	Green Book 1% Vacancy Factor.	(57)	(57)	0
2019/20 budget setting	Relocation expenses	(8)	(8)	0
2019/20 budget setting	NHS charges	(5)	(5)	0
2019/20 budget setting	Advertising	(5)	(5)	0
Efficiency Strategy	Telemetry	(5)	(5)	0
Efficiency Strategy	Insurance costs (FRIC)	(188)	(188)	0
2019/20 budget setting	Finance - Orbis costs	(18)	(18)	0
2019/20 budget setting	Estates - Planned Maintenance	(5)	(5)	0
2019/20 budget setting	Estates - Reactive Maintenance	(4)	(4)	0
2019/20 budget setting	Procurement - consultants fees	(3)	(3)	0
2019/20 budget setting	Estates - Improvement Works	(1)	(1)	0
2019/20 budget setting	RDS Pay	(50)	(50)	0
2019/20 budget setting	Group Prevention Budgets	(40)	(40)	0
2019/20 budget setting	Other operational savings	(49)	(49)	0
2019/20 budget setting	Safer Communities - Projects	(13)	(13)	0
2019/20 budget setting	Petroleum Licensing	(9)	(9)	0
2019/20 budget setting	Training Budget	(13)	(13)	0
2019/20 budget setting	Health, Safety and Wellbeing	(5)	(5)	0
TOTAL		(413)	(413)	0

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Investment as at 30 June 2019

Counterparty	Type	Amount £'m	Rate %
Barclays	95 day notice	4.000	0.95
Santander	95 day notice	4.000	1.00
Lloyds / HBOS	174 day notice	4.000	1.13
Goldman Sachs IB	6 months fixed	4.000	1.05
Deutsche	Money Market Fund	0.540	1.00
Aberdeen	Money Market Fund	4.000	0.76 (V)
Insight	Money Market Fund	4.000	0.73 (V)
Total current investments		24.54	

(V) = variable rate

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EAST SUSSEX FIRE AUTHORITY

Panel Meeting Policy & Resources

Date: 25 July 2019

Title of Report: Provision of Finance Support Services

By: Assistant Director Resources / Treasurer

Lead Officer: Duncan Savage, Assistant Director Resources / Treasurer

Background Papers: None

Appendices: None

Implications

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

PURPOSE OF REPORT To consider the future arrangements for the provision of finance support services.

EXECUTIVE SUMMARY The service level agreement with East Sussex County Council (ESCC) for the provision of finance support services ended in March 2013 and services have continued under a letter of agreement since that date. A new collaboration agreement and service specification has been developed that clearly sets out how the partnership will operate in future.

Alternative options for the provision of these services have been considered but none is assessed to provide the same scope and quality of service as that provided through the current partnership with ESCC / Orbis.

Following a review of the finance function by CIPFA which concluded that the service provided by ESCC and the relationship with ESCC were both good, and business case

to support an internal Finance Improvement Plan is being developed. This will seek to ensure that the service is fit for purpose and meets the changing needs of the business. This includes closer liaison with Orbis to ensure that we benefit from their development of SAP our finance system.

The Service is planning to transition FPS administration and pension payroll from ESCC / Orbis to another public sector provider who can provide better service quality at a reduced cost.

RECOMMENDATION

The Panel is recommended to:

- a) agree that finance support services continue to be provided by East Sussex County Council (ESCC) for an initial period until 31 March 2022 with an option to extend for two further years;
- b) delegate authority to the Assistant Director Resources / Treasurer to agree the detail of the new collaboration agreement with ESCC;
- c) note that the Authority is intending to seek an alternative public sector provider for Fire Pension Administration and Pension Payroll; and
- d) note that, in accordance with ESFA Contract Standing Orders (CSOs) 7.2, the Treasurer, after consultation with the Monitoring Officer, Procurement Manager and the relevant Member, has approved a waiver of CSO13.7-13.8 with regard to the provision of Finance Support Services and also for the provision of Fire Pension Administration and Pension Payroll.

1. INTRODUCTION

1.1 East Sussex County Council (ESCC) has provided finance support services to the Authority since its establishment in 1997. An initial service level agreement (SLA) ran out in March 2013 and since then the services have continued to be provided under a letter of agreement. Lengthy discussions have led to the development of a new Collaboration Agreement and an associated Schedule of Services, which set out more clearly the basis of the relationship and the nature of the services provided under it. The proposed agreement covers the following services:

- Transactional services:
 - Accounts Payable
 - Accounts Receivable
 - Payroll

- Pensions Administration & Payroll
- Financial Accounting System (SAP)
- Professional Services
 - Leasing
 - Treasury Management
 - Banking
 - Final Accounts
 - Statutory Returns
 - Tax advice
- Internal Audit

The Authority also accesses external treasury management advice and actuarial services through ESCC. A separate contract is in place for the provision of external tax advice through PSTax.

1.2 Finance Support Services are delivered in close collaboration with a number of internal teams:

- Finance, Risk & Insurance (Resources) – Finance Manager (x1fte); Management Accounts (x2fte); and Financial Administration (x2.5fte). There is also a Risk and Insurance Officer but these services are provided through the Fire and Rescue Indemnity Company (FRIC)
- Payroll & Pensions (HR&OD) – Payroll & Pension Manager (x1fte); Payroll (x2fte)

There is also some interaction with the Procurement Team as SAP provides our core P2P functionality.

1.3 Treasurer and Deputy Treasurer services were also provided by ESCC, until 2013 when these roles were brought back in-house and now form part of the role of the Assistant Director Resources / Treasurer.

1.4 The Authority agreed in September 2018 to move from a traditional approach to procuring insurance and risk support through the open market, to sourcing these services from the Fire & Rescue Indemnity Company (FRIC) a hybrid discretionary mutual. This has brought annual savings of £188,000 and opportunities to improve our risk management practice.

1.5 The Authority has committed to review all of its support services as part of its efficiency strategy and has expressed a preference for a public / public partnership model.

1.6 Both of the Authority's constituent authorities are founding partners of Orbis along with Surrey Council and source a wide range of their support services, including finance, through this partnership.

2. LEGAL ASSESSMENT

- 2.1 Counsel's opinion has been sought on the proposed arrangement and this has confirmed that under Regulation 12(7) of the Public Contracts Regulations 2015, the Hamburg exception, a competitive procurement process for these services is not required.

3. ASSESSMENT OF CURRENT SERVICE

- 3.1 The current service has provided effective finance support services to the Authority for over 20 years providing the following benefits:

- An integrated service across a wide range of finance related support services
- Effective partnership working between in house and ESCC teams
- Access to specialist skills which the Authority could not retain in house and would be significantly more expensive to source externally
- Resilience where the Authority would otherwise have single points of failure and / or where volumes of activity are low
- Access to external specialist services based on cost sharing / reduced rates
- A public sector ethos
- Charging based on cost recovery
- A flexible response where necessary to short timescales

Independent assurance on the effectiveness of these services is provided through the work of both internal and external audit. In addition the Authority has commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out a high level review of the effectiveness of the finance function against its financial management model. The review covered the in house finance team, services provided by ESCC / Orbis and also internal stakeholders such as budget managers. The review concluded that the service provided by ESCC and the relationship with ESCC were both good. It did however identify a range of actions to improve the efficiency and effectiveness of the finance function overall and the Finance Manager is currently developing a business case to support a comprehensive Finance Improvement Plan. The Orbis partnership of which ESCC is a founding partner has its own improvement agenda for finance, based on the establishment of centres of expertise, for example in treasury management, final accounts and pensions. We are beginning to see the impact of these changes on the quality of the service provided to the Authority. ESCC is also seeking to improve its utilisation of SAP to provide efficient finance processes.

- 3.2 There are alternative models of delivering these services and these were explored to establish if there was a better alternative to the current model:

- Bring in house – some fire authorities and small authorities do have in house finance teams however, this approach brings with it a range of risks primarily around lack of resilience and access to specialist skills and loss of economies of scale. There are a range of examples where local authorities with small finance teams have sought to establish shared services in order to address these risks and achieve the benefits listed above, locally for example Lewes and Eastbourne Councils, and Surrey and Sussex Police. In addition we know that

we have experienced difficulty in recruiting to professional support service posts across a range of areas.

- Fully externalise – it is possible to source a number of the services currently provided by ESCC / Orbis from the private sector e.g. payroll provision, internal audit. However we have not identified a provider that would offer such an integrated service and it is unlikely that the outsourcing of finance alone would be an attractive proposition and deliver a cost effective solution
- Alternative public sector partners – there are a number of public sector shared services partnership available, other than ESCC / Orbis. Locally we have monitored particularly the development of the partnership of Surrey, Sussex and Thames Valley Police which is focussed around the implementation of Microsoft Dynamics as an ERP platform and the development of a Shared Service Centre for transactional services. This project has been significantly delayed and the new ERP platform has yet to go live. Although Surrey and Sussex Police have subsequently agreed to combine their finance teams there is also no proven integrated finance service offer which matches what we currently access through ESCC / Orbis.

3.3 ***Fire Pension and Pension Payroll Service*** - There is one part of the service currently received from ESCC / Orbis where there have been ongoing issues with service delivery and quality and that is Firefighter Pension Scheme (FPS) administration and payroll. The Authority has reviewed alternative service delivery models and has prepared a business case proposing transition from ESCC / Orbis to another public sector provider. This transition is supported by ESCC / Orbis who are seeking to exit this market as they can no longer secure the capacity and capability to support what is an increasingly complex service area. This position is reflected across the market where there has been a consolidation over the last two to three years with a small number of suppliers gaining market share. Subject to the approval of the business case by SLT we expect to transition to a new provider before the end of the financial year and deliver an improved service at a reduced cost. The transition will also allow us to address data quality issues in this area that have been identified over the last six months.

4. **OTHER CONSIDERATIONS**

4.1 The Service is currently undergoing a significant programme of transformation with work on ORR / IRMP, the ongoing SCC Project, the bedding in of the service delivery review, significant investment in IT and Estates, and the start of a service wide review of HR processes. All this sits alongside a continuing programme to evolve the Service's culture.

4.2 Any switch of provider / partnership would require not just the transition of staff based services but also the (procurement and) implementation of a new finance system. This is assessed as being an 18-24 month project requiring significant financial investment and has the potential to divert the finance function from supporting transformation and business as usual across the service.

4.3 The version of SAP that ESCC / Orbis currently provides will reach end of life in 2025. Both ESCC and Surrey who also use SAP have commenced a project to review their future options for financial systems. This timescale aligns with the

proposed length of the collaboration agreement which would end (subject to agreed extensions) in March 2024, giving the Authority the opportunity to review its options for finance support services again.

4.4 Business expectations of what finance should provide is increasing, and this is clearly identified in the CIPFA report. The draft Finance Improvement Plan will seek to address this by developing a finance function that is fit for purpose and meets the changing needs of the business and where:

- Managers are empowered to take direct responsibility for managing their resources through high quality finance advice and support
- There is effective strategic finance input to the Authority’s strategic planning processes
- There is sufficient finance capacity to support the service’s transformation programme with the focus of the team shifting from transactional to value added activities
- There are efficient and effective systems and processes that support managers to manage their resources

5. **FINANCIAL ASSESSMENT**

5.1 The actual expenditure with ESCC on the provision of finance support services for the previous years is shown below:

Service	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/2019 £'000	2019/20 (estimate) £'000
Business Operations	112	108	87	104	106
Pensions	24	30	33	39	40
Finance	73	90	87	49	50
Internal Audit	26	30	19	31	32
IT	47	44	43	37	38
Total	282	302	269	260	266

5.2 Over the last four years we have seen reductions in the cost of the finance support services provided by ESCC which alongside reductions in a budget held to fund enhancements to SAP have realised total savings of £69,000.

6. **CONTRACT STANDING ORDERS (CSO)**

6.1 The proposal to proceed is permitted under CSO section 7.2 which states:
 “Subject to CSO 7.3, the Treasurer may waive any provision of one or more CSOs in relation to a proposed Contract. Except in an emergency, the Treasurer shall consult the Monitoring Officer, the Procurement Manager and the relevant Member of the Authority before making a decision.”

- 6.2 Any waiver of a CSO must be reported to the Authority and this paper satisfies that requirement.

7. CORPORATE RISK

- 7.1 ESFA and ESFRS cannot operate without the provision of the finance support services provided by ESCC / Orbis. Service provision has continued since 2013 based on a letter of agreement, but the implementation of a new collaboration agreement and agreed service specification will provide a firmer basis for the partnership to continue and reduce the risk to both Authorities.

8. CONCLUSION

- 8.1 Whilst there are alternative options for the provision of finance support services, at this stage none is assessed to provide the same scope and quality of service as that provided through the current partnership with ESCC / Orbis. The implementation of a Finance Improvement Plan will deliver service improvements to meet the business' changing needs without the scale of investment and potential disruption to service that any change of provider / partner is likely to entail, at a time when the Authority has other more important strategic priorities to deliver. It is therefore recommended that a new agreement should be put in place with ESCC / Orbis for a period of three years with an option to extend by a further two years.

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