

# Fire Authority

## 13 June 2019



### Membership:

Councillors: Barnes (Chairman), Theobald (Vice-Chair), Boorman, Dowling, Earl-Williams, Ebel, Evans, Galley, Hamilton, Lambert, Osborne, Peltzer Dunn, Powell, Pragnell, Scott, Smith, Taylor and Tutt
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**You are requested to attend this meeting to be held in the County Hall, East Sussex County Council, St Anne's Crescent, Lewes at 10.30 am**

### Quorum: 6

<b>Contact:</b>	Abigail Blanshard abigail.blanshard@esfrs.org 01323 432069
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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. Election of Chairman

5 - 8

Report of the Monitoring Officer

### 3. Election of Vice-Chairman

9 - 10

Report of the Monitoring Officer

### 4. Apologies for Absence

### 5. 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

6. **To consider any public questions**
7. **To receive any petitions**
8. **Non-confidential Minutes of the last meeting held on 14 February 2019** **11 - 18**
9. **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 these items which have not been called.
10. **Political Representation on the Panels of the Fire Authority** **19 - 24**

Report of the Monitoring Officer
11. **Fire Authority & Panel Meetings 2019/20** **25 - 26**

Report of the Senior Democratic Services Officer
12. **Member Attendance 2018/19** **27 - 30**

Report of the Senior Democratic Services Officer
13. **Treasury Management - Stewardship Report 2018/19** **31 - 44**

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: 5 June 2019

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# Agenda Item 2

## EAST SUSSEX FIRE AUTHORITY

**Date:** 13 June 2019  
**Title:** Election of Chairman  
**By:** Abraham Ghebre-Ghiorghis, Monitoring Officer  
**Lead Officer:** Abigail Blanshard, Senior Democratic Services Officer

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**Background Papers:** Previous Report - 14 June 2018  
East Sussex Fire Services (Combination Scheme) Order 1996  
East Sussex Fire Authority Constitution

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**Appendices:** None

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### Implications:

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>	✓	<b>POLITICAL</b>	✓
<b>FINANCIAL</b>		<b>OTHER (PLEASE SPECIFY)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

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**PURPOSE OF REPORT:** To invite the Fire Authority to elect a Chairman and to request the Chairman, once elected, to advise on their preferred title.

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**EXECUTIVE SUMMARY:** The report presented to the Fire Authority on 14 June 2018 set out the background information in relation to the procedures for the election of a Chairman and, if desired, a Vice-Chairman.

The Fire Authority duly elected a Chairman to serve for one year, until 13 June 2019. This report seeks approval to appoint a Chairman to the Fire Authority.

The rules governing the election are contained within the report.

The Fire Authority has previously agreed that it was appropriate to invite the Chairman, once elected, to advise on their preferred choice of title.

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**RECOMMENDATION:**

The Fire Authority is asked to:

- i. appoint a Chairman; and
  - ii. invite the Chairman to advise on his/her preferred title.
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**1 BACKGROUND INFORMATION**

- 1.1 The report presented to the Fire Authority on 14 June 2018 set out the background information in relation to the procedures for the election of a Chairman and, if desired, a Vice-Chairman. The Fire Authority duly elected a Chairman on 14 June 2018 to serve for a period of one year, or until the date of the next AGM, when a new election would need to be considered. This report seeks approval to appoint a Chairman to the Fire Authority.
- 1.2 The Combination Order for the creation of the East Sussex Fire Authority sets down the following procedures:
  - 17 (1) The Authority shall elect a Chairman, and may elect a Vice-Chairman, from amongst its members.
  - 17 (2) The Chairman, and if a Vice-Chairman is elected, the Vice-Chairman, shall, subject to paragraphs 13–16, hold office for a period of one year from the date of their election.
  - 17 (3) Sub-paragraph (2) shall not prevent a person who holds, or has held, office as Chairman, or Vice-Chairman, as the case may be, from being elected or re-elected to either of those offices.
  - 17 (4) On a casual vacancy occurring in the office of Chairman or, if a Vice-Chairman has been elected, the Vice-Chairman, the Authority shall elect from its members a person to replace the Chairman, and may so elect a person to replace the Vice-Chairman, as the case may be.
  - 17 (5) The election to replace the Chairman under sub paragraph (4) above shall take place not later than the next following ordinary meeting of the Authority.
- 1.3 The Standing Orders of the Fire Authority state:
  9. Election of Chairman and Vice-Chairman.
    - 9.1 The Authority shall at the annual meeting elect a Chairman and may elect a Vice-Chairman or Vice-Chairmen from among its members as the first item of business.
    - 9.2 On a casual vacancy occurring in the office of Chairman and Vice-Chairman, the Authority shall elect from its members a person to replace the Chairman and may so elect a person to replace the Vice-Chairman as the case may be.

- 9.3 The Authority, when deciding to elect a Vice-Chairman, should consider an appropriate representative balance between the two constituent authorities such that the Vice-Chairman, unless the Fire Authority specifically determine otherwise, should be a Member from the other constituent authority to that of the newly elected Chairman.
- 1.4 Under Standing Order 23.1, if more than one person is nominated, there is a procedure for voting by roll call which applies unless otherwise agreed. Previously, the Authority has agreed to appoint the Chairman and Vice-Chairman by a show of hands. A third alternative would be to hold a ballot.
- 1.5 When the Fire Authority was first constituted, it was agreed that its 'Chairman' would be formally called as such, as opposed to the title 'Chair' or alternatively, 'Chairman or Chairwoman.' The Fire Authority has previously agreed that it was appropriate to invite the Chairman, once elected, to advise on their preferred choice of title.

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# Agenda Item 3

## EAST SUSSEX FIRE AUTHORITY

**Date:** 13 June 2019  
**Title:** Election of Vice-Chairman  
**By:** Abraham Ghebre-Ghiorghis, Monitoring Officer  
**Lead Officer:** Abigail Blanshard, Senior Democratic Services Officer

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**Background Papers:** Previous Report - 14 June 2018  
East Sussex Fire Services (Combination Scheme) Order 1996  
East Sussex Fire Authority Constitution

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**Appendices:** None

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### Implications :

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>	✓	<b>POLITICAL</b>	✓
<b>FINANCIAL</b>		<b>OTHER (PLEASE SPECIFY)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

**PURPOSE OF REPORT:** To invite the Fire Authority to elect a Vice-Chairman and to request the Vice-Chairman, once elected, to advise on their preferred title.

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**EXECUTIVE SUMMARY:** Agenda Item 2 sets out the adopted procedures for the appointment of a Chairman and Vice-Chairman.

Members' attention is drawn specifically to Standing Order 9.3 (see previous agenda item) and, unless the Fire Authority specifically determines otherwise, the Vice-Chairman should be a Member from the other constituent authority to that of the newly elected Chairman.

The Fire Authority is asked to consider whether to elect a Vice-Chairman to assist the Chairman in their role.

The Fire Authority has agreed previously that it was appropriate to invite the Vice-Chairman, once elected, to advise on their preferred choice of title.

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**RECOMMENDATION:**

The Fire Authority is asked to:

- i. consider whether it wishes to elect a Vice-Chairman; and
  - ii. if appointed, to invite the Vice-Chairman to advise on their preferred title.
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## EAST SUSSEX FIRE AUTHORITY

**NON-CONFIDENTIAL Minutes of the meeting of the EAST SUSSEX FIRE AUTHORITY held at Brighton Town Hall, Bartholomew Square, Brighton BN1 1JA at 10:30 hours on Thursday, 14 February 2019.**

Present: Councillors Barnes (Chairman), Boorman, Deane, Dowling, Galley, Lambert, Marsh, O'Quinn, Osborne, Peltzer Dunn, Platts, Scott, Smith, Taylor, Theobald and Tutt.

### **Also present:**

D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), A Ghebre-Ghiorghis (Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), H Scott-Youldon (Assistant Director Training & Assurance), L Woodley (Deputy Monitoring Officer), W Tricker (Finance Manager), D Kemp (Head of Prevention), M Cherry (Interim Estates Manager), J Sarpong (Pension Advisor), M Winton (Station Manager Operations), E Simpkin (Democratic Services Officer), Sarah Booker-Lewis (Press) and A Blanshard (Senior Democratic Services Officer).

### **76            INTERESTS**

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

### **77            APOLOGIES FOR ABSENCE**

77.1            Apologies had been received from Councillors Earl-Williams, Elford, Morris and Sheppard.

77.2            The Chairman asked that the Authority's best wishes be sent to Cllr Sheppard. He then took the opportunity to welcome Cllr Boorman who had been appointed as a substitute for Cllr Sheppard until July 2019.

77.3            The Chairman also welcomed Cllr Platts and Cllr Earl-Williams as new members of the Fire Authority having recently been appointed by Brighton & Hove City Council and East Sussex County Council respectively.

77.4            Finally the Chairman welcomed Cllr Marsh who had been appointed as substitute for Cllr Morris for this meeting.

### **78            URGENT ITEMS & CHAIRMAN'S BUSINESS**

78.1            The Chairman agreed to take report number 87 in advance of report number 84.

### **79            TO CONSIDER PUBLIC QUESTIONS, IF ANY**

79.1            There were none.

### **80            TO CONSIDER PUBLIC PETITIONS, IF ANY**

80.1            There were none.

### **81            MINUTES OF THE MEETING HELD ON 6 DECEMBER 2018**

81.1 **RESOLVED** – That the minutes of the meeting held on 6 December 2018 be approved and signed by the Chairman. (*Copy in Minute Book*)

**82 CALLOVER**

82.1 Members reserved the following items for debate:

83 Safer Communities Strategy 2018-21

84 Fire Authority Service Planning processes for 2019/20 and beyond – Revenue Budget 2019/20 and Capital Strategy 2019/20 to 2023/24

85 Treasury Management Strategy for 2019/20

86 Fairer Funding Review

87 ESFRS Estates Strategy 2018/2025

**83 SAFER COMMUNITIES STRATEGY 2018-21**

83.1 The Fire Authority received the report of the Assistant Director Safer Communities (ADSC) presenting and seeking approval of the revised Safer Communities Strategy 2018-21, which now covers both Community and Business Safety. (*Copy in Minute Book*)

83.2 The Safer Communities Strategy seeks to ensure that the statutory requirements of the Authority under the Fire and Rescue Services Act 2004 and the Regulatory Reform (Fire Safety) Order 2005 are complied with, including providing a commitment to improve delivery of regulation in line with the statutory principles of good regulation being good business. The duty to collaborate was demonstrated through the engagement based approach to identifying risk and deploying locally based protection and prevention resources.

83.3 The Strategy had been developed through engagement with staff, partners and Members and on the principle of an annual collaborative assessment of local risk to ensure an effective response through initiatives that were evaluated, reviewed, consulted on and translated into local plans allowing effective performance management.

83.4 The Strategy had been created to be people centric and focussed on those most vulnerable and at risk. The Strategy introduced five thematic action plans (Home/Fire, Road, Water, Business and Health) which would deliver effective performance monitoring and ensured staff could see how they contributed to the wider strategy. This approach empowered local delivery teams to respond dynamically to the changing local risk in their communities, encouraging creativity and innovation with critical support provided by centrally based specialist teams.

83.5 Members welcomed the report and the Strategy, the opportunity was used to record that their constituents had concerns over the current housing density levels and the impact on fire safety. They were reassured that the Strategy proposed an ongoing commitment of talking to and working with local communities and landlords.

- 83.6 Members were pleased that the number of business audits was set to increase and asked whether any best practice would be adopted from other services. The ACFO explained that assurance was a key element, the process was subject to scrutiny from Internal Audit. There is monthly reporting on both the number and quality of the Audits. As stated in the Strategy, advice and guidance would be provided to staff and volunteers by pulling together best practice nationally and locally from NFCC, Government, other FRS, partner organisations and the third sector. The ACFO added that locally it was found that best practice was by and large delivered by and measured to ESFRS standards.
- 83.7 There were queries regarding implications for ESFRS arising from the Hackitt enquiry. The ACFO reassured members that officers from ESFRS had been involved on a national level to consult on the inquiry since the Grenfell fire and learning from this was embedded within the Safer Communities Strategy along with lessons learned from the HMICFRS inspections that had been undertaken so far. The ACFO reiterated the importance that all Authority Members understood and shared with their constituents that high rise did not automatically mean high risk and that a person's behaviours were a greater determinant of fire risk than where they live.
- 83.8 Members were reassured that ESFRS Officers maintained appropriate involvement in the planning process across all Local Authorities (LA) in the ESFRS area, there was also close collaboration regarding LA housing stock. The CFO thanked Members for inviting ESFRS representatives to attend meetings of residents associations and officers would continue to do this.
- 83.9 The ACFO then confirmed to Members that in addition there was a lot of community work underway, and addressed in the strategy, regarding Youth working, immigration and exploitation. This partnership working was fundamental to assisting with the assessment of risk across the ESFRS area. The ACFO was also keen to ensure that Fire Investigation was at the forefront of the work and that best practice be shared across our region, the NFCC had created a national operational learning database and there was a regional project underway to reinforce the value and importance of fire investigation.
- 83.10 Some Members raised concerns regarding planning regulations and the inclusion of sprinklers in new build properties. They were assured that whilst it was the responsibility of Housing and Planning Authorities to act on this and to ensure Fire Safety throughout their planning process, ESFRS had been consistent and strong with its recommendations and message on the installation of sprinkler systems. The CFO informed Members that the NFCC had a strong position on both evacuation procedures and sprinkler systems published on their website and agreed to circulate links to these to Members after the meeting.
- 83.11 **RESOLVED** – That the Fire Authority:
- a) approved the revisions to the current Community Safety Strategy and the strategic approach to prevention and protection provision being more closely aligned around an annual assessment of risk that drives locally based resources with critical support being provided by centrally based specialist teams; and
  - b) approved the adoption of the Safer Communities Strategy 2018-21.

- 84**                    **FIRE AUTHORITY SERVICE PLANNING PROCESSES FOR 2019/20 AND BEYOND – REVENUE BUDGET 2019/20 AND CAPITAL STRATEGY 2019/20 TO 2023/24**
- 84.1                    The Fire Authority received the Report of the Assistant Director Resources/Treasurer (ADR/T) presenting the Fire Authority’s Revenue Budget 2019/20, Capital Strategy 2019/20-2023/24 and Medium Term Financial Plan for 2019/20-2023/24 for approval. (*Copy in Minute Book*)
- 84.2                    The Authority’s budget proposals for 2019/20 and its five year Medium Term Finance Plan (MTFP) were considered at the meeting of the Policy & Resources Panel on 18 January 2019. Following that meeting, the report had been updated to reflect final council tax and business rates information, collection fund positions and revised information from central government on business rates funding.
- 84.3                    The Authority had continued to make good progress in identifying and agreeing savings proposals over the last 12 months. The latest MTFP showed that the Authority had already identified £0.413m of savings in 2019/20 and a total of £0.529m savings in total over the life of the MTFP.
- 84.4                    There continued to be significant uncertainty for fire funding beyond the current multi-year funding offer that ends in 2019/20. From 2020/21 there were potentially significant risks as a result of proposals to change the Business Rates Retention regime, the Fairer Funding Review and the Comprehensive Spending Review covering the last two years of this Parliament. Additionally there was no decision on the funding of increased employer’s pension costs after 2019/20. Locally, the impact of West Sussex County Council’s (WSSCC) decision to withdraw from the Sussex Control Centre (SCC) from February 2020 was still to be fully evaluated.
- 84.5                    Members queried why there was no reference made to SCC on the Risk Assessment (Appendix E: Annexe A). The ADR/T confirmed that reference had been made to risks surrounding SCC within the body of the report but that these were not included at the point referenced as this was specifically a Risk Assessment of the Adequacy of General Reserves. Members were reminded that when the decision had been taken by WSSCC to withdraw, the Authority had approved a draw down from the General Reserves of £0.625m to cover additional costs for SCC including pressures on the SCC business as usual budget, SCC Project Phase 2, Exit Strategy and Project 21 (the assessment of options beyond the end of the current contract with Remsdaq in March 2021). Work was underway to clarify these costs and would be reported to the next meeting of the Policy & Resources Panel.
- 84.6                    Members took the opportunity to ask whether ESFRS were confident that WSSCC would be paying their fair share of the costs relating to SCC. The ADR/T reminded Members that under the Section 16 agreement the funding split had been agreed as 50:50, it had since been agreed that in 2019/20 WSSCC would be bearing more of the staffing costs as a result of their decision not to transition to 4i. Appropriate sharing of costs resulting from the Exit Strategy would be considered through the Executive Board.
- 84.7                    The CFO added that a different governance board with an updated structure and remit had been formed and provided an escalation route to the CFO and CE of WSSCC if required.

- 84.8 The Interim Estates Manager confirmed that progress was being made on proposed redevelopment of Preston Circus. Currently the scheme design was being agreed with a target start of 2020 and completion of works by 2021, with the awareness that this would be a very complex build. Members were pleased to hear of this progress.
- 84.9 Members then referred to the risk within the Capital Programme/Projects and enquired as to whether the figures included contingency funds. The ADR/T confirmed that this was the case, there was also separate provision to cover inflation.
- 84.10 **RESOLVED** – That the Authority approved:
- a) an increase in council tax of 2.94% and thus approved:
    - i. the budget proposals set out in this Report and the net budget requirement of £39.037m for 2019/20;
    - ii. the council tax requirement of £27.215m; and
    - iii. the council tax and precepts as set out in Appendix F
  - b) the capital programme for the next five years and the capital budget of £6.728m for 2019/20 and the plans to use capital grant, capital receipts and revenue contributions to finance capital expenditure;
  - c) the reduction in the minimum level of General Reserves to 6% of the net revenue budget;
  - d) the fees and charges set out in Appendix C; and
  - e) 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.

## **85 TREASURY MANAGEMENT STRATEGY FOR 2019/20**

- 85.1 The Fire Authority considered the Report of the Assistant Director Resources/Treasurer (ADR/T) which presented Members with the Treasury Management Strategy, policy statement and the Minimum Revenue Provision (MRP) Statement 2019/20. (*Copy in Minute Book*)
- 85.2 The Report contained recommendations about the borrowing limits, prudential indicators and limits, investment strategy and policy as required by Section 3 (1) of the Local Government Act 2003 and the Prudential Code for Capital Finance 2017. The emphasis continued to be on security and liquidity. The Strategy and limits were consistent with the proposed capital programme and revenue budget that had been presented to Members in item 84 on the Agenda. Members were informed that, as was clear from current global events, it was impossible in practical terms to eliminate all credit risk, therefore the Fire Authority would continue to seek to be prudent.

- 85.3 The Authority was recommended to approve borrowing limits to allow flexibility for any future consideration in undertaking new external long-term /replacement borrowing should the need arise and the market conditions be favourable.
- 85.4 Members were reminded that the Fire Authority had always adopted a prudent approach on its investment strategy and in the last few years there had been regular changes to the list of approved organisations to be used for investment of short term surpluses. The list was reviewed regularly to ensure that the Authority was able to invest at the best available rates consistent with low risk. The 2019/20 strategy continued the prudent approach and ensured that all investments were only to the highest quality rated banks and financial institutions.
- 85.5 Members were satisfied with the contents of the report but wished to have clarity on a couple of points. Members again reiterated that they were not against prudence, but that they continued to encourage a less risk averse attitude going forward. They commended the exploration of inter-authority lending and deeper exploration into property investment, clarifying that reference was being made to Property Funds and not investment in physical property.
- 85.6 The ADR/T confirmed that inter-authority lending had already commenced with ESFRS loaning £2m to Plymouth City Council on a 1% return. He explained that the Authority was seeking to increase returns without significant additional risk. ORBIS was reviewing the investment opportunities available in light of the MTFP and the Capital Strategy. Whilst the Authority holds historically high levels of cash, these were now being used to support planned investments in our estate and IT. The Authority's reserves will reduce from £22m currently to below £3m by the end of 2021/22. The ADR/T added that any investment strategy must be appropriate to its organisation and bear in mind its structure, risk appetite and business requirements. The Service was always looking at routes for income generation as part of the wider picture of driving efficiencies.
- 85.7 **RESOLVED** – That the Fire Authority:
- a) Approved the Treasury Management Strategy and Policy Statement for 2019/20 (and adopted for the remainder of 2018/19);
  - b) Determined that for 2019/20 the Authorised Limit for borrowing shall be £13.630m;
  - c) Adopted the prudential indicators as set out in the attached Appendix 2; and
  - d) Approved the Minimum Revenue Provision (MRP) Statement for 2019/20 as set out in the attached Appendix 3.

## 86 **FAIRER FUNDING REVIEW**

- 86.1 The Fire Authority considered the Report of the Assistant Director Resources/Treasurer (ADR/T) which sought comments on the Authority's response to the Government's consultation on the Fairer Funding Review. (*Copy in Minute Book*)
- 86.2 The ADR/T explained to Members that the Fairer Funding Review (FFR) was just part of the future financial picture. The Authority's position would also be affected

by the Comprehensive Spending Review (CSR) which was due to start in Spring 2019. The effect of the UK's exit from the European Union, which also presented its own unknowns and challenges, is anticipated to be the cause of a delay to the CSR. There was then also the effects of the consultation in to the review of Business Rates Retention.

86.3 There had been much debate nationally around the potential funding formula for Fire. It had been established that Fire Services in general were content with the existing formula. There was National reiteration that it was essential that Fire Funding should recognise and resource to risk and not just demand or spend.

86.4 Members were informed that it was the Service's preference, in line with the view of Fire Services nationally, that the existing formula be retained. The Authority welcomed the robustness of the draft response as at Appendix C to the Report.

86.5 **RESOLVED** – That the Authority:

- a) approved the draft response to the consultation including the Authority's preference for supporting the proposed option one funding formula and that the Authority was strongly against the proposed option three; and
- b) delegated authority to the Assistant Director Resources/Treasurer in consultation with Chief Fire Officer and the Chairman to finalise the response taking into account any further work by the NFCC.

## **87 EAST SUSSEX FIRE & RESCUE SERVICE ESTATES STRATEGY 2018-2025**

87.1 The Authority considered the Report of the Assistant Chief Fire Officer and Assistant Director Resources/Treasurer which presented Members with the new Estates Strategy for final approval. (*Copy in Minute Book*)

87.2 Members welcomed the Estates Strategy but requested clarification on a couple of points. The strategy included proposed works, following the new ESFRS design guide, to redevelop some existing sites. There was a link between these redevelopment options and the forthcoming Operational Response Review (ORR) and Members wanted confirmation that Officers would keep both under consideration. There was a risk that work may be carried out in line with the Estates Strategy that might then be required to change when the results of the ORR came through

87.3 The ADR/T took the opportunity to introduce Members to the Interim Estates Manager, on secondment from the Estates team at Sussex Police, and thanked her for her work on the report and Strategy.

87.4 Members were informed that the Estates Strategy was a significant step forward, predicated on the associated design guide. They both contained the Service's aspirational standards neither were a common approach with the Fire Sector. The Strategy had been created to be a dynamic and changing document and would respond to changing Service requirements. The Strategy would be reviewed on a regular basis by the newly established Estates Strategy Delivery Board, on which there was Member and Principal Officer representation.

87.5 Members queried how flexible the Space Standards in the Design Guide were. The Interim Estates Manager explained that not all of the space strategies would

be achievable at every site due to physical constraints and that compromises would have to be reached, but it was noted that the design solution, to meet the Design Guide requirements would be driven by operational functionality.

87.6 Members suggested that within the report more priority might be given to collaboration in order to ensure that the Service was not understating its efforts in this area. The CFO explained that ESFRS were involved in a number of One Public Estate, SPACE and Blue Light Hub projects. All estate collaboration opportunities will be explored, though our operational requirement and provision for firefighters will be the priority and once met, community need and efficiency were then considered. The ADR/T added that Collaboration was included in the Strategy as key consideration and that Members had already approved a number of collaborations including HQ, Saxon House, Uckfield, Heathfield and Lewes Fire Stations with partners currently being sought for Preston Circus.

87.7 Members congratulated the Estates team on their hard work creating the strategy document, the complexity of the process had been eye-opening to those involved.

87.8 **RESOLVED** – That the Authority:

- a) approved the 2018/2025 East Sussex Fire & Rescue Service Estates Strategy;
- b) approved the required funding of £13.8m required to deliver the Strategy; and
- c) noted that the financial implications of this investment are set out in the Medium Term Finance Plan.

## **88 EXCLUSION OF THE PRESS AND PUBLIC**

88.1 That item no. 89 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 following grounds: information relating to the financial or business affairs of any particular person (including the authority holding that information).

## **89 CONFIDENTIAL MINUTES OF THE MEETING HELD ON 6 DECEMBER 2018**

89.1 **RESOLVED** – That the confidential minutes of the meeting held on 6 December 2018 be approved and signed by the Chairman. (*Copy in Minute Book*)

The meeting concluded at 12.33 hours.

Signed

Chairman

Dated this

day of

2019

## EAST SUSSEX FIRE AUTHORITY

Date: 13 June 2019  
Title: Political Representation on the Panels of the Fire Authority  
By: Abraham Ghebre-Ghiorghis, Monitoring Officer  
Lead Officer: Abigail Blanshard, Senior Democratic Services Officer

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**Background Papers:** Previous Report - Fire Authority 14 June 2018  
The East Sussex Fire Services (Combination Scheme) Order 1996

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**Appendices:** Appendix A – Panel membership 2018-19  
Appendix B – Proposed Panel membership 2019-20

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### Implications :

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>		<b>POLITICAL</b>	✓
<b>FINANCIAL</b>		<b>OTHER (PLEASE SPECIFY)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

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**PURPOSE OF REPORT:** To secure political balance on Panels in accordance with the Local Government (Committees and Political Groups) Regulations 1990 and agree the resultant membership to the Panels of the Fire Authority.

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**EXECUTIVE SUMMARY:** Under the provisions of the Local Government and Housing Act 1989 and the Local Government (Committees and Political Groups) Regulations 1990, the Fire Authority must keep under review the allocation of seats on Committees and other bodies to ensure, so far as practicable, that they reflect the political groups on the Authority.

The rules governing representation on Panels are set out overleaf giving the pattern of membership agreed at the meeting of the Fire Authority on 14 June 2018.

The Fire Authority is invited to agree the membership of its Panels for the forthcoming year.

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**RECOMMENDATION:** The Fire Authority is asked to consider whether it wishes to:

- i) confirm the Panel arrangements and political representation as set out in the Report;
- ii) agree (with no Member voting against) that the political balance provisions shall not apply to the membership of the Principal Officer Appointments Panel; and
- iii) appoint the Chairman and Vice-Chairman of the Panels in accordance with Standing Order 41.13 or, as has been the practice in the past, leave it to the Panels to do this under Standing Order 41.14.

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## **1 BACKGROUND – CURRENT POSITION**

- 1.1 Under the provisions of the Local Government and Housing Act 1989 and the Local Government (Committees and Political Groups) Regulations 1990, authorities must keep under review the allocation of seats to political groups on their Committees/Panels to ensure, so far as practicable, that they reflect the numbers in the political groups on their authority. The guiding principles which can be drawn from the 1989 Act and which need to be borne in mind when conducting any review are that:
- (a) The majority party should have a majority on each committee/panel;
  - (b) The overall number of committee/panel places allocated to each group should be proportionate to the numbers of each group on the authority;
  - (c) Subject to (a) and (b), the number of seats on each committee/panel should be proportionate to the numbers of each group on the authority.
- 1.2 Currently, there are four political groups on the Fire Authority: Conservative, Green, Labour and Liberal Democrat. There is also one Independent Member of the Fire Authority, but single Members do not constitute a political group.
- 1.3 The Panels are the Authority's committees set up in accordance with Standing Order 41 and their terms of reference are shown in the Constitution. The Panels and their related membership which were approved in June 2018 are shown in Appendix 1, and the proposed political proportionality for 2019/20 is shown in Appendix 2.
- 1.4 Political proportionality rules need not apply to Panels of Authorities provided that due notice to adopt alternative arrangements is given to all Members and no Member votes against the proposals when they are considered and approved. Members are therefore asked to agree that the political balance provisions should not apply to the Principal Officer Appointments Panel.
- 1.5 Group Leaders are requested to let the Senior Democratic Services Officer have the names of their Panel Members by Friday, 21 June 2019.

- 1.6 The Fire Authority assigns Member Leads on matters being managed by the Policy & Resources and the Scrutiny & Audit Panels. There are currently Lead Member roles in the areas of Health & Safety, Assurance & Peer Review, Inclusion & Diversity, IT and Estates. The current allocation of these roles is also set out in Appendix 1. Expressions of interest for the Lead Member positions should be directed to the Senior Democratic Services Officer.

## Panel Membership 2018-19

	<b>Conservative</b>	<b>Labour</b>	<b>Liberal Democrats</b>
<b>SCRUTINY &amp; AUDIT (7)</b>	4 <b>Galley</b> <b>Peltzer Dunn</b> <b>Boorman</b> <b>Taylor</b>	1 <i>Vacancy</i>	2 <b>Lambert</b> <b>Osborne</b>
<b>POLICY &amp; RESOURCES (7)</b>	4 <b>Barnes</b> <b>Dowling</b> <b>Elford</b> <b>Theobald</b>	2 <b>O'Quinn</b> <b>Scott</b>	1 <b>Tutt</b>
<b>HUMAN RESOURCES (7)</b>	4 <b>Peltzer Dunn</b> <b>Smith</b> <b>Taylor</b> Earl-Williams	2 <b>Morris</b> <b>Scott *</b>	1 <b>Osborne</b>
<b>URGENCY (7)</b>	4 <b>Barnes</b> <b>Dowling</b> <b>Elford</b> <b>Theobald</b>	2 <b>O'Quinn</b> <b>Scott</b>	1 <b>Lambert</b>
<b>PRINCIPAL OFFICER APPOINTMENTS PANEL (4)</b> <i>(Group Leaders + 1 additional Conservative)</i>	2 <b>Barnes</b> <b>Theobald</b>	1 <b>Scott</b>	1 <b>Lambert</b>
<b>PENSIONS BOARD (4)</b>	<b>O'Quinn, Taylor, Tutt, Deane</b>		

<b>Member Leads</b>	
Health & Safety	<i>Vacancy</i>
Assurance & Peer Review	<b>Galley</b>
Inclusion & Diversity	<b>Osborne</b>

## Panel Allocations based upon Political Proportions 2019-20

PANEL	TOTAL	
Scrutiny & Audit	7	3 Cons 2 Lab 2 Lib Dem
Policy & Resources	7	4 Cons 1 Lab 1 Lib Dem 1 Green
Human Resources	7	4 Cons 1 Lab 1 Lib Dem 1 Green
Urgency	7	4 Cons 1 Lab 1 Lib Dem 1 Green
<b>Total requiring political proportionality</b>	<b>28</b>	
(The total number of seats = 28, divided 15:5:5:3 on the basis of the 2019-20 political balance)		
Principal Officer Appointments Panel	<b>4 (5)</b>	Group Leaders + 1 additional Conservative [+ Chairman of the Fire Authority, if not a Group Leader]
Pensions Board	<b>4</b>	4 (Volunteers required from any Group)
<i>The Pensions Board is not subject to the political balance rules.</i>		

Member Lead Roles	
Health & Safety	<i>Vacancy</i>
Assurance & Peer Review	<b>Galley</b>
Inclusion & Diversity	<b>Osborne</b>
IT	<b>Tutt</b>
Estates	<b>Peltzer Dunn</b>

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## EAST SUSSEX FIRE AUTHORITY

**Date:** 13 June 2019  
**Title:** Fire Authority & Panel meetings 2019/20  
**By:** Abigail Blanshard, Senior Democratic Services Officer  
**Lead Officer:** Abigail Blanshard, Senior Democratic Services Officer

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**Background Papers:** None

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**Appendices:** None

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### Implications:

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>		<b>POLITICAL</b>	✓
<b>FINANCIAL</b>		<b>OTHER (PLEASE SPECIFY)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

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**PURPOSE OF REPORT:** To inform Members of the dates of meetings of the Fire Authority and Panels for the remainder of 2019 and 2020.

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**EXECUTIVE SUMMARY:** Paragraph 3.1 of Part 1(a) of East Sussex Fire Authority's Standing Orders requires meetings of the Fire Authority to be notified annually in advance. Dates of meetings of the Fire Authority and Panels for the remainder of 2019 and 2020 are, therefore, detailed below.

Constituent authorities are consulted when arranging meetings of the Fire Authority in order to avoid clashes wherever possible. Details of meetings are also posted on the ESFRS web-site on a continual rolling basis:

<http://www.esfrs.org/news/whats-on/>

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**RECOMMENDATION:** The Fire Authority is asked to note the dates of meetings of the Fire Authority and Panels for the next 12 months.

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<b>Date:</b>	<b>Meeting:</b>
25 July 2019	Scrutiny & Audit and Policy & Resources Panels
5 September 2019	Fire Authority and Pension Board
12 September 2019	Scrutiny & Audit Panel TBC
31 October 2019	Scrutiny & Audit and Policy & Resources Panels
5 December 2019	Fire Authority

*Dates for 2019, above, have been previously agreed by the Fire Authority at its meeting on 14 June 2018.*

16 January 2020	Policy & Resources Panel
30 January 2020	Scrutiny & Audit Panel
13 February 2020	Fire Authority & Pension Board
21 May 2020	Scrutiny & Audit and Policy & Resources Panels
11 June 2020	Annual Fire Authority
23 July 2020	Scrutiny & Audit and Policy & Resources Panels
3 September 2020	Fire Authority & Pension Board
10 September 2020	Scrutiny & Audit Panel TBC
29 October 2020	Scrutiny & Audit and Policy & Resources Panels
3 December 2020	Fire Authority

All Fire Authority meetings to commence at 10:30 hours

All Panel meetings to commence at 10:00 hours (or 11:30 hours if on the same day)

**Notable dates in 2019/20:**

Good Friday - 10 April 2020

Easter Monday - 13 April 2020

ESCC Annual Meeting Tuesday - 12 May 2020

B&HCC Annual Meeting Thursday - 21 May 2020

## EAST SUSSEX FIRE AUTHORITY

Date: 13 June 2019  
Title: Member Attendance 2018-19  
By: Abigail Blanshard, Senior Democratic Services Officer  
Lead Officer: Ellie Simpkin, Democratic Services Officer

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**Background Papers:** None

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**Appendices:** Appendix A – Member Attendance Record 2018-19

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### Implications :

<b>CORPORATE RISK</b>		<b>LEGAL</b>	✓
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>EQUALITY IMPACT</b>		<b>POLITICAL</b>	✓
<b>FINANCIAL</b>		<b>OTHER (PLEASE SPECIFY)</b>	
<b>HEALTH &amp; SAFETY</b>		<b>CORE BRIEF</b>	
<b>HUMAN RESOURCES</b>			

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**PURPOSE OF REPORT:** To submit for monitoring purposes Member attendance at formal East Sussex Fire Authority meetings for 2018-19.

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**EXECUTIVE SUMMARY:** Recognising that good governance is essential to ensure public engagement and transparency in public sector service delivery, putting in place the means to effectively monitoring Members' attendance will help to ensure good governance and support the guiding principles of public life, in particular enhancing openness and accountability.

Attached at Appendix 1 to this report is a summary of Members attendance from June 2018 to May 2019 which covers all formal meetings of the Authority commencing with the Authority's AGM in June 2018.

Attendance information has been manually recorded and presented, however, as of June 2019 following the introduction of the Modern.Gov committee management software Member attendance figures will be automatically published on the Fire Authority webpages.

It is recommended that Member attendance be reported to the Scrutiny & Audit Panel on an annual basis for monitoring purposes.

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**RECOMMENDATION:** The Fire Authority is asked to note:

1. the summary of Members attendance at formal Authority meetings for 2018-2019 as set out at Appendix A to this report;
2. that from June 2019 Member attendance at formal meetings will be published on the Fire Authority's website; and
3. that Member attendance will be reported annually to the Scrutiny & Audit Panel for monitoring purposes.

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## **1 BACKGROUND – CURRENT POSITION**

- 1.1 Although attendance records are maintained by the Democratic Services team there is currently no mechanism for reporting or monitoring Fire Authority Member attendance at formal meetings.
- 1.2 It is recognised that attendance at formal meetings forms only part of the duties of an elected Member, accordingly, the figures reported are only partially representative of a Member's overall performance. In addition to recording Members attendance at the formal decision making bodies, Democratic Services collate information on attendance at other informal commitments and events including member reference groups, open days, conferences, external training and Member seminars.
- 1.3 Should a Member's attendance be considered unsatisfactory, the circumstances will be referred to the Chairman and the Group Leader of the relevant party in the first instance. Constituent authorities will also be made aware of any attendance issues.
- 1.4 With the introduction of the Modern.Gov committee management system in June 2019, Member attendance will be collated and published on the ESFRS website, thereby reducing the need to compile and maintain manual records.
- 1.5 Attached at Appendix 1 to this report is a summary of Members attendance from June 2018 to May 2019 which covers all the meetings of the Authority commencing with the Authority's AGM in June 2018.
- 1.6 The intention is that Member attendance will be reported to the Scrutiny & Audit Panel on an annual basis for monitoring purposes.

## **2 LEGAL**

- 2.1 The Localism Act 2011 introduced new arrangements to govern the Standards of Conduct for local authority members and co-optees which set out the seven guiding principles of conduct: selflessness; integrity; objectivity; accountability; openness; honesty and leadership. The information in this report supports these guiding principles and, in particular, enhancing openness and accountability.

## MEMBER ATTENDANCE RECORD 2018-19

Member	Meetings expected to attend	Meetings attended as substitute	Apologies given	Total Attended	Percentage Attendance
Cllr John Barnes	13	2	0	15	115%
Cllr Phil Boorman *	2	1	0	3	150%
Cllr Lizzie Deane ****	6	0	1	5	83%
Cllr Chris Dowling	12	0	4	8	67%
Cllr Stuart Earl **	4	0	2	2	50%
Cllr Deidre Earl-Williams *	2	0	0	0	0%
Cllr Simon Elford ***	11	0	6	5	45%
Cllr Roy Galley	9	1	1	9	100%
Cllr Carolyn Lambert	14	1	1	14	100%
Cllr Adrian Morris ****	6	0	2	3	50%
Cllr Jackie O'Quinn ****	12	0	3	9	75%
Cllr Sarah Osborne	10	1	2	9	90%
Cllr Garry Peltzer Dunn	10	0	1	9	90%
Cllr Caroline Penn ****	8	0	4	3	38%
Cllr Nancy Platts *	1	0	0	1	100%
Cllr Peter Pragnell *	1	0	0	1	100%
Cllr Phil Scott	15	0	5	10	67%
Cllr Jim Sheppard **	7	0	2	5	71%
Cllr Andy Smith	5	0	1	4	80%
Cllr Barry Taylor	14	0	3	10	71%
Cllr Carol Theobald	13	0	4	8	62%
Cllr David Tutt	11	1	2	10	91%

\* appointed to FA part-way through the year

\*\* passed away in October 2018

\*\*\* long-term absence, substituted by Cllr Boorman since February 2019

\*\*\*\* left FA part-way through the year

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## EAST SUSSEX FIRE AUTHORITY

**Date** 13 June 2019

**Title of Report** Treasury Management – Stewardship Report for 2018/19

**By** Duncan Savage, Assistant Director, Resources/Treasurer

**Lead Officer** Richard Carcas, Principal Finance Officer (Treasury Management)

**Background Papers** Prudential Code for Capital Finance 2004  
 Local Government Act 2003  
 Local Government Investments – Guidance  
 CIPFA Prudential Code  
 CIPFA Treasury Management in the Public Services- Code of Practice  
 Local Government and Public Involvement in Health Act 2007  
 Communities and Local Government-Changes to the Capital Finance System  
 East Sussex Fire Authority - 15 February 2018 – Agenda Item 29 Treasury Management Strategy for 2018/19  
 14 June 2018 – Agenda Item 46 Treasury Management – Stewardship report for 2017/18  
 Policy and Resources Panel - 1 November 2018 – Agenda Item No 109: Half yearly report for 2018/19

**Appendices** None

### Implications

<b>CORPORATE RISK</b>		<b>LEGAL</b>	✓
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>	✓	<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	
<b>EQUALITY IMPACT ASSESSMENT</b>			

**PURPOSE OF REPORT** The Annual Treasury Management Stewardship Report is a requirement of the Fire Authority’s reporting procedures and informs Members of Treasury Management performance for 2018/19 and compliance with Prudential Indicators.

**EXECUTIVE SUMMARY** The Fire Authority has complied with its approved Treasury Management Strategy and Prudential Indicators for the year.

The Bank of England (BoE) Base Rate was raised from 0.50% to 0.75% on the 2<sup>nd</sup> August 2018. In challenging economic conditions the average rate of interest received through Treasury Management Activity was 0.80%. This reflected the

Fire Authority's continuing prioritisation of security and liquidity over yield.

The Fire Authority is investigating options to invest a portion of core balances in longer duration funds to secure improved investment returns. Decisions on future investment will be taken in the context of the current approved capital programme and the requirement to fund it over the medium term.

No new borrowing was undertaken in 2018/19 with total loan debt outstanding of £10.773m at 31<sup>st</sup> March 2019, the average interest rate was 4.60%. The next loan repayment is due on the 31<sup>st</sup> March 2021 (£75k) with the PWLB. There have been no beneficial opportunities to reschedule debt so far during the year. The projected outturn of the Fire Authority's Capital Financing Requirement (CFR), a measure of the underlying need to borrow is £10.773m.

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**RECOMMENDATIONS** The Fire Authority is asked to note the Treasury Management Performance for 2018/19.

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## **1 INTRODUCTION**

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

- a) The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- b) Statutory Instrument (SI) 3146 2003 develops the controls and powers within the Act;
- c) The SI requires the Fire Authority to undertake any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;
- d) Under the Act the Ministry of Housing, Communities & Local Government (MHCLG) has issued Investment Guidance to structure and regulate the Authority's investment activities.

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

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

- a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report);
- b) Review actual activity for the preceding year (this report),
- c) A mid year review and
- d) A change in the Strategy (if and when required).

- 1.4 This report sets out:
- a) A summary of the strategy agreed for 2018/19 and the economic factors affecting the strategy in the year;
  - b) The Fire Authority's treasury activity during the year on borrowing and short term investments;
  - c) The Prudential Indicators which relate to the Treasury function and compliance with limits

## **2 2018/19**

### **2.1 Strategy for 2018/19**

2.1.1 At its meeting on 15 February 2018, the Fire Authority agreed its Treasury Management Strategy for 2018/19, taking into account the economic scene including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2018/19 as set out below.

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

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

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

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

#### **Borrowing**

2.1.3 The Fire Authority at the beginning of 2018/19 did not expect to undertake any additional external borrowing in the next 12 months.

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

#### **Investment**

2.1.5 When the strategy was agreed in February 2018, it emphasised the continued importance of taking account of the current and predicted future state of the financial sector. The Treasury Management advisors (Link Asset Services)

commented on short term interest rates, the UK economy, inflation, the outlook for long term interest rates and these factors were taken into account when setting the strategy.

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

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

2.1.7 The strategy going forward was to continue with the policy of ensuring minimum risk but was also intended to deliver secure investment income of at least bank rate on the Fire Authority's cash balances.

2.1.8 As was clear from the events globally and nationally since 2008, it is impossible in practical terms to eliminate all credit risk. The Fire Authority seeks to be as prudent as possible.

2.1.9 The strategy aimed to ensure that in the economic climate that a prudent approach was maintained. This would be achieved through investing with selected banks and funds which met the Authority's rating criteria. The emphasis would continue on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed) rather than yield. The strategy continued with this prudent approach.

2.1.10 It was also recognised that movements within the money markets happen with no notice and the Treasurer may have to amend this strategy in order to safeguard Fire Authority funds. As in the past any such actions would be reported to the next Fire Authority meeting.

2.1.11 The Fire Authority balances were to be invested in line with the following specific methodology:-

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 noted in the table below and within the following durational bands that are domiciled in the UK.

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

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

The Link 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.

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.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link 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.

The Link Asset Services methodology was revised in October 2013 and determines the maximum investment duration under the credit rating criteria. Key features of Link 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 Link 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 Link Asset Services colour which is associated with a maximum suggested time boundary.

### Counterparty List:

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

2.1.12 All Money Market Funds used will be monitored and chosen by the size of the fund, rating agency recommendation, exposure to other Countries (Sovereign debt), weighted average maturity and weighted average life of fund investment and counterparty quality.

2.1.13 All of the investments held with the above counterparties will be classified as Specified Investments. These investments are sterling investments of not more than one-year maturity with institutions we deem to be high credit quality or with the UK Government (Debt Management Account Deposit Facility). These are considered low risk assets where the possibility of loss of principal or investment income is small.

- 2.1.14 Non Specified Investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments are set out below:

<b>Table 4</b>	<b>Minimum credit criteria</b>	<b>Period</b>
Local Authorities	Government Backed	2 years
Mixed Asset Fund(s)	Appropriate rating	2 - 5 years
Pooled Property Fund(s)	N/A	5+ years

The maximum amount that can be invested will be monitored in relation to the Authority's surplus monies and the level of reserves, the limit will be £2.5m across all non specified investments. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Authority will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Treasurer.

## **2.2 The economy in 2018/19 – Commentary from Link Asset Services (Treasury Management Advisors) in April 2019.**

- 2.2.1 After weak economic growth of only 0.2% in quarter one of 2018/19, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.
- 2.2.2 The Monetary Policy Committee raised the Bank Rate from 0.5% to 0.75% in August 2018 and it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth.
- 2.2.3 Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached.
- 2.2.4 CPI inflation has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.
- 2.2.5 The major UK news event of the year was the ongoing arrangements for Brexit. The Conservative minority government was unable to muster a majority in the Commons over its Brexit deal. The EU deadline of April 12 for the House of Commons to propose what form of Brexit it would support was not met. The now

extended deadline of the 31<sup>st</sup> October is the next key milestone in the Brexit process. However the degree of disagreement within each of the two main political parties is probably now even greater than before the initial deadline; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

## **2.3 Interest on short term balances**

2.3.1 The total amount received in short term interest for the 2018/19 was £206,450 at an average rate of 0.80%, the average base rate for the year was 0.67%.

2.3.2 Full detail of the interest received has been set out in paragraph 3.7.4.

## **2.4 Long term borrowing**

2.4.1 No borrowing was undertaken in 2018/19. The total outstanding loan debt at 31 March 2019 was £10,773,000. There was no Loan Maturities in year and the average interest rate on external debt for the year was 4.60%.

2.4.2 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## **2.5 Short term borrowing**

2.5.1 No borrowing was undertaken on a short-term basis during 2018/19 to date to cover temporary overdraft situations.

## **3 PRUDENTIAL INDICATORS AND LIMITS RELATING TO TREASURY MANAGEMENT ACTIVITIES**

### **3.1 The limits set for 2018/19**

The Strategy Report for 2018/19 set self-imposed prudential indicators and limits. There are on an annual basis and monitored. They comprise:

- Authorised limit for borrowing (see 3.2 below)
- Interest rate exposure (see 3.3 below)
- Maturity structure of debt (see 3.4 below)
- Maturity structure of investments (see 3.5 below)
- Compliance with the treasury management code of practice (see 3.6 below)
- Interest on our investments (see 3.7 below)
- Capital Financing Requirement and Minimum Revenue Provision Statement (see 3.8 below)

None of the limits were exceeded in 2018/19.

### **3.2 Authorised limit for borrowing**

3.2.1 The table below sets out the actual 2018/19, original estimate and actual in 2018/19 for borrowing.

	<b>2017/18 Actual</b>	<b>2018/19 Original Estimate</b>	<b>2018/19 Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening CFR</b>	<b>10,973</b>	<b>10,773</b>	<b>10,773</b>
Capital Investment	2,016	3,305	1,010
Sources of Finance	(1,777)	(2,874)	(579)
MRP	(439)	(431)	(431)
<b>Movement in year</b>	<b>(200)</b>	<b>-</b>	<b>-</b>
<b>Closing CFR</b>	<b>10,773</b>	<b>10,773</b>	<b>10,773</b>
less Finance Lease Liability	-	-	-
<b>Underlying Borrowing Requirement</b>	<b>10,773</b>	<b>10,773</b>	<b>10,773</b>
<b>Actual Long Term Borrowing</b>	<b>10,773</b>	<b>10,773</b>	<b>10,773</b>
Over / (Under) Borrowing	-	-	-
<b>Operational Boundary</b>	<b>11,441</b>	<b>11,241</b>	<b>11,241</b>
<b>Authorised Limit</b>	<b>13,831</b>	<b>13,630</b>	<b>13,630</b>

- 3.2.2 The outturn for 2018/19 shows no under or over borrowing.
- 3.2.3 The borrowing limits set in each year include capacity to borrow in advance of need.
- 3.2.4 The Operational boundary for borrowing was based on the same estimates as the Authorised limit. It reflected directly the authorised borrowing limit estimate without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.
- 3.2.5 The Authorised limit was consistent with the Fire Authority's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income. Risk analysis and risk management strategies were taken into account as were plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

3.2.6 The Authorised limit is the “Affordable Borrowing Limit” required by S3 of the Local Government Act 2003 and must not be breached. The estimated long term borrowing at 31 March 2019 of £10,773,000 is under the Authorised limit set for 2018/19 of £13,630,000.

### 3.3 Interest rate exposure

3.3.1 The Fire Authority’s Prudential Indicator continued the practice of seeking competitive fixed interest rate exposure for borrowing and lending.

	2018/19	2019/20	2020/21
<b>Interest rate exposures</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
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

### 3.4 Maturity structure of debt

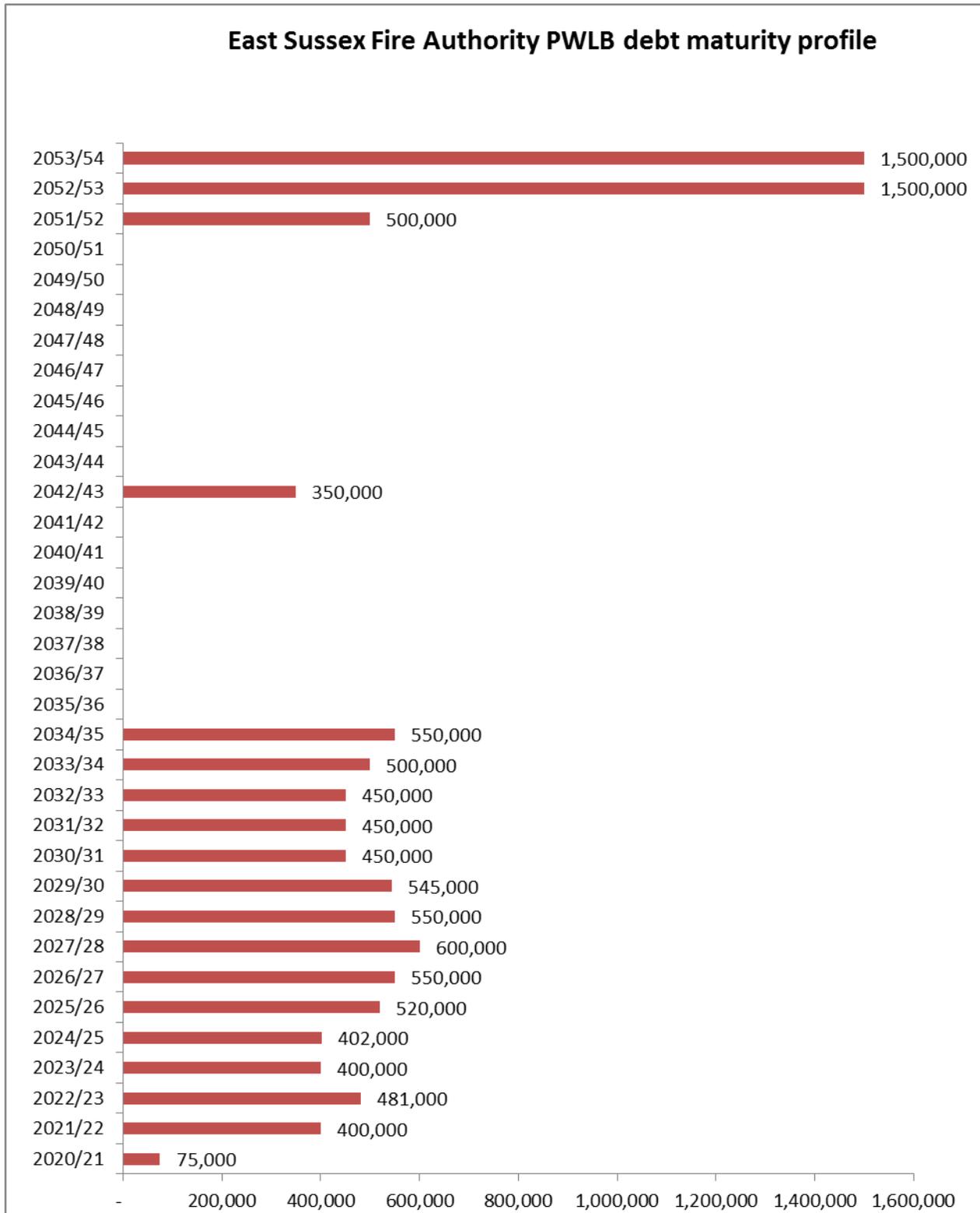
3.4.1 The Fire Authority set upper and lower limits for the maturity structure of its borrowings as follows.

	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>At 31 March 2019</u>
Under 12 months	0%	25%	0%
12 months and within 24 months	0%	40%	1%
24 months and within 5 years	0%	60%	12%
5 years and within 10 years	0%	80%	24%
10 years and within 20 years	0%	80%	27%
20 years and within 30 years	0%	80%	3%
30 years and within 40 years	0%	80%	33%
Over 40 years	0%	80%	0%

3.4.2 Any new borrowing undertaken would give due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority’s exposure to the risk of having to replace a large amount of debt in any future years when interest rates may be unfavourable.

3.4.3 No new borrowing was undertaken in 2018/19. The following graph shows the majority of debt matures in the next 10 to 20 years with some longer dated maturities out to 2053/54. The next loan to be repaid will be on the 31 March 2021 (£75,000).

### 3.4.4 PWLB Debt Maturity Profile



### 3.5 Maturity Structure of Investments

3.5.1 The limits below are deemed prudent and will be reviewed in future years.

<b>Principle sums invested for periods longer than 365 days</b>			
	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
Limit	2.50	2.50	2.50

### 3.6 Compliance with the Treasury Management Code of Practice

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

### 3.7 Interest on Investments

3.7.1 Base interest rates were increased on the 2<sup>nd</sup> August 2019 to 0.75%.

3.7.2 There have been continued uncertainties in the markets during the year to date as set out in the previous paragraphs of this report.

3.7.3 The strategy for 2018/19 continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year.

3.7.4 The table below sets out the average monthly rate received on our investments and compares it to the Bank of England Base rate to reflect the interest rates available in the market.

Month	Amount £	Monthly rate	Margin against Average Base rate %	Average balance in month £m
April	12,018	0.59%	+0.09%	24.8
May	12,798	0.65%	+0.15%	23.2
June	12,132	0.66%	+0.16%	22.4
July	13,284	0.67%	+0.17%	23.2
August	18,983	0.75%	+0.01%	29.8
September	19,226	0.82%	+0.07%	28.4
October	19,239	0.84%	+0.09%	26.9
November	19,185	0.87%	+0.12%	26.8
December	20,031	0.90%	+0.15%	26.3
January	20,464	0.93%	+0.18%	26.2
February	18,722	0.95%	+0.20%	25.6
March	20,186	0.96%	+0.21%	24.8
<b>Total in 2018/19</b>	<b>206,450</b>	<b>0.80%</b>	<b>0.13%</b>	<b>25.7</b>

- 3.7.5 The total amount received in short term interest for the year was £206,450 at an average rate of 0.80%. This was above the average base rates in the same period (0.67%) and reflects the Fire Authority's risk appetite ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk.
- 3.7.6 Throughout the year bank notice accounts and fixed term deposits with banks and other Local Authorities were used to invest core balances up to duration of 6 months. Instant access cash money market funds were used to hold liquidity balances to meet day to day creditor requirements. Interest earned by the main liquidity buckets are detailed below.

Investment Type	Liquidity Bucket	Interest Earned 2018/19 £
Money Market Fund	Instant Access	53,090
Notice Account	95 / 180 Day Notice	107,820
Fixed Term Deposits	6 Month Fixed	45,540
	<b>Total in 2018/19</b>	<b>206,450</b>

- 3.7.7 Further options to invest core balances in alternative investments such as pooled property funds and mixed asset funds are being investigated and modelled to calculate suitable amounts and durations.

### 3.8 Capital Financing Requirement and Minimum Revenue Provision Statement

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

- 3.8.1 The prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the underlying borrowing need.
- 3.8.2 The Fire Authority approved the CFR projections for 2017/18 in its Strategy approved in February 2017. These are in the original estimate below.

	<b>2017/18 Actual</b>	<b>2018/19 Original Estimate</b>	<b>2018/19 Actual</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening CFR	10,973	10,773	10,773
Closing CFR	10,773	10,773	10,773
<b>Movement in CFR</b>	<b>(200)</b>	<b>-</b>	<b>-</b>
<b>Movement in CFR represented by:</b>			
Net financing	239	431	431
MRP	(439)	(431)	(431)
<b>Movement in year</b>	<b>(200)</b>	<b>-</b>	<b>-</b>

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

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

#### **4 TREASURY MANAGEMENT ADVISORS**

4.1 The Strategy for 2018/19 explained that the Fire Authority uses Link Asset Services as its treasury management consultant through the contract that exists with East Sussex County Council. A range of services have been provided including:

- a) Technical support on treasury matters, capital finance issues and advice on reporting;
- b) Economic and interest rate analysis;
- c) Debt services which includes advice on the timing of borrowing;
- d) Debt rescheduling advice surrounding the existing portfolio;
- e) Generic investment advice on interest rates, timing and investment instruments;
- f) Credit ratings from the three main credit rating agencies and other market information;
- g) Assistance with training on treasury matters.

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

4.3 Link Asset Services is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market-leading treasury management service to their clients and better those offered by competitors. The advice will continue to be monitored regularly to ensure an excellent level of service provided to our authority.

#### **5 CONCLUSION**

5.1 The prime objective of Treasury Management is the effective management of risk and that its activities are undertaken in a prudent affordable and sustainable basis. This report confirms the Authority has continued to follow an extremely prudent approach with the main criteria of security and liquidity before yield. The current emphasis must be to continue to be able to react quickly if market conditions worsen.