

Policy & Resources Panel

16 January 2020



Membership:

Councillors: Peltzer Dunn (Chairman), Galley, Tutt, Pragnell, Scott, Powell and Sheppard
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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 BN7 1UE at 10.00 am

Quorum: 3

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

18. 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.

19. Apologies for Absence/Substitutions

20. 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.

21. Minutes of the last Policy & Resources Panel meeting held on 31 October 2019 5 - 10

22. 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.

- 23. Revenue Budget & Capital Programme Monitoring 2019/20** **11 - 32**
Report of the Assistant Director Resources / Treasurer
- 24. Fire Authority Service Planning Processes for 2020/21 & Beyond - Revenue Budget 2020/21 & Capital Strategy 2020/21 - 2024/25** **33 - 84**
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: 8 January 2020

Information for the public

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POLICY & RESOURCES PANEL

Minutes of the meeting of the POLICY & RESOURCES PANEL held at County Hall, East Sussex County Council, St Anne's Crescent, Lewes BN7 1UE at 11.30 am on Thursday, 31 October 2019.

Present: Councillors Peltzer Dunn (Chairman), Galley, Tutt, Hamilton (In place of Cllr Scott) and Powell

Also present:

Mark Andrews (Assistant Chief Fire Officer), Mark O'Brien (Deputy Chief Fire Officer), Warren Tricker (Finance Manager), Dawn Whittaker (Chief Fire Officer & Chief Executive) and Liz Woodley (Deputy Monitoring Officer)

9 Declarations of Interest

Councillor Powell declared an interest in relation to item 17 insofar that she was employed by Sussex Police. Councillor Tutt also declared a personal interest in item 17 as a Member of East Sussex County Council which had been considered in the Options Appraisal.

10 Apologies for Absence/Substitutions

Apologies for absence were received from Councillor Pragnell. Apologies were also received from Councillor Scott. Councillor Hamilton was attending as his substitute.

11 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.

12 Minutes of the last Policy & Resources meeting held on 25 July 2019

RESOLVED: That the minutes of the meeting of the Policy & Resources Panel held on 25 July 2019 be approved as a correct record and signed by the Chairman.

13 Callover

Members reserved the following items for debate:

14. Revenue Budget & Capital Programme Monitoring 2019/20
15. Treasury Management – Half Year Review 2019/20
16. Fuel Tank & Pump Replacement Project
17. Estates Strategy Delivery Model Review

14 Revenue Budget & Capital Programme Monitoring 2019/20

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

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) on issues arising from the monitoring of the 2019/20 Revenue Budget and Capital Programme as at 30 September 2019.

The Finance Manager introduced the report, highlighting the current challenges which were primarily around the delivery of the ambitious Capital Programme. Slippage had occurred for a number of valid reasons; projects involving Police collaboration had been delayed as they reconsidered resource requirements following the announcement of additional funding for frontline police and extended staff consultation and estates staff resourcing had impacted on timescales of some projects. High risk areas continued to be monitored.

The Panel sought reassurance that monitoring was taking place across the whole budget and queried errors in the budget for telephony (paragraph 2.2.1 of the report) and payroll miscoding (paragraph 2.5 of the report). The Finance Manager confirmed that all areas of the budget were monitored through statistical analysis and by individual budget holders, however, resources were focused on high risk areas and those larger budgets. With regards to errors with the telephony budget, this had been caused by some confusion over contract end/start dates. Information Technology Governance had carried out a full review and were confident that there were no further issues. Payroll errors related specifically to firefighter pay and issues with how the system handled employer pension contributions. These were being resolved by the Payroll Manager.

The Panel asked about fleet management and the Assistant Chief Fire Officer (ACFO) confirmed that a comprehensive vehicle replacement strategy was in place. This was currently based on an appliance having a 14 year life cycle, however, with advances in technology and engineering it was thought that lifecycles would increase. Pressure had been placed on the fleet following losses at the Marlie Farm incident in 2006. Four appliances had recently been received and were currently at Service Training Centre undergoing acceptance testing. Better workforce engagement had resulted an improved receipt process and feedback on the new foam system tests and improved contamination control had been positive.

Discussion was had over the Grenfell Tower Inquiry Phase 1 Report. The ACFO commented that although the report was still being considered, having only been published on 30 October, an early 'lessons learnt' around protection, fire safety and operational response had been undertaken. Attendance had been reviewed and an inspection regime carried out. Operationally the Service continued to support the 'stay put' policy, however, buildings needed to meet appropriate standards. It was recognised that compartmentalisation could fail and that crews needed to be aware of the potential of rapid spread, the importance of asking 'what if?' when attending certain incidents and adjusting swiftly to an evacuation strategy when appropriate.

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

The Panel welcomed the number of apprenticeships being taken up and noted that with regards to Sussex Control Centre, any changes to the planning assumptions and timeline would impact on the budget figures set out in the report.

RESOLVED: That the Panel:

1) notes:

- (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 reserve,
- (iv) the monitoring of savings taken in 2019/20, and
- (v) the current year investments,
- (vi) the increase in the scheme budget for BA and Radio Equipment Scheme by £115,000 to £437,000 funded from underspends in the Fleet Capital Programme and £10,000 from Marauding Tactical Firearms Attack grant.

2) approves:

- (vii) the variation the Capital Programme by £25,000 for improvements to the Combined Aerial Rescue Pump (CARP).
- (viii) the drawdown of up to £160,000 from General Balances to fund the in-year consequences of decisions taken by the Principal Officers Appointment Panel regarding the Principal Officer's terms and conditions review and the role and remuneration of the Treasurer.
- (ix) an increase in the capital scheme for the Animal Rescue Vehicle from £200,000 to £322,000.

15 Treasury Management - Half Year Review 2019/20

The Panel received the treasury management half yearly report, a requirement of the Fire Authority's reporting procedures. The report covered the treasury activity for the first six months of the 2019/2020 and included an update on the first half year Prudential Indicators which related to treasury activity.

The Finance Manager introduced the report, highlighting the continued strategy in low risk secure investments and the unexpected increase to the Public Works Loan Board interest rate for all new loans.

Members queried whether any benchmarking against other local authorities had been carried out. The Finance Manager was not aware of any direct bench marking, however, the Fire Authority employed the same advisor as East Sussex County Council. The Finance Manager undertook to look into this further and report back to the Panel.

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

RESOLVED: That the Panel notes:

1. the treasury management performance for the first half year of 2019/20.
2. that a further report on Treasury Management opportunities will be brought to the Authority in December.

16 Fuel Tank & Pump Replacement Project

The Panel considered a report from the ADR/T which sought approval of the full business case for the Fuel Tank and Pump Replacement Project. The project formed part of the blue light integrated transport function (ITF) to improve efficiency and effectiveness of operations across the Partnership. The proposed programme would deliver refuelling capability and also ensure safer, more resilient facilities that would meet environmental compliance.

The Panel asked about the alternative options and whether consideration had been given to the future of alternative fuels such as the installation of electric charging points. The CFO highlighted that the project benefited from £270,000 of funding from the ITF Partnership Fund and although there were alternative options, this would be stepping back from previous ITF decisions. With regards to the use of electric vehicles, this was being considered at a national level. The weight of fire appliances was currently a challenge and advances needed to be made in engineering technology for this to become viable. The draft Fleet Strategy did consider environmental factors and opportunities to utilise the benefits of national projects with regards to 'white fleet' vehicles would be considered as appropriate.

RESOLVED: That the Panel:

1. approves the revised business case for the East Sussex Fire & Rescue Service sites covered by the ITF fuel tank project, and;
2. notes the requirement to vary the existing Fuel Tanks scheme under the capital programme, increasing its gross capital cost to £400,000, against partner contributions / grant funding of £270,000 resulting in a net cost of £130,000, against existing £220,000 budget.

17 Estates Strategy Delivery Model Review

The Panel received a report from the ADR/T which outlined the challenges faced with regards to the delivery of the Estates Strategy and proposed a revised delivery model which looked to partner with Surrey and Sussex Police to bridge the necessary skill, resilience and agility gaps which existed currently.

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

The Interim Estates Manager introduced the report highlighting that the proposals aimed to create a shift towards a more proactive approach to estates and facilities management and help to deliver the ambitious programme set out in the Estates Strategy. It was noted that ESFRS had been successfully working with Sussex Police in an informal partnership arrangement and that proposals sought to formalise arrangements.

The ACFO added that he recognised the positive impact of the secondment of the Interim Estates Manager from Sussex Police. The Chairman welcomed the move from a reactive to a proactive approach. The CFO echoed this sentiment and the importance of the partnership in terms of service delivery and providing ESFRS with the opportunity to access resources which were required on an ad-hoc basis.

The Finance Manager drew the Panel's attention to advice from the Procurement Manager that the usual tendering processes would not apply on this occasion as the arrangement was a public sector collaboration which was governed solely by considerations relating public interests and therefore the Hamburg exemption applied.

RESOLVED: That the Panel:

1. approves that ESFRS enter into formal agreement with Sussex Police & Surrey Police to agree collaboration of the Estates and Facilities services.
2. delegates authority for the AD Resources / Treasurer in consultation with the Deputy Monitoring Officer & the Chair of the Estates Strategy Delivery Board to put in place the necessary arrangements to establish the collaboration.
3. notes that, in accordance with East Sussex Fire Authority 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 Estates & Facilities Management Services by Surrey & Sussex Police.

The meeting concluded at 12.16 pm

Signed

Chairman

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

Dated this

day of

2020

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting Policy and Resources

Date 16 January 2020

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
- Appendix 6: Investment as at 30 November 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 November 2019.

EXECUTIVE SUMMARY At this point in the financial year, forecasts are becoming clearer but there is still some uncertainty. The reporting cycle means that this report is based on figures to the end of November 2019 but updated with any issues identified between then and publication of this report for Policy and Resources Panel. This report highlights the risks to the Revenue and the Capital budgets.

The Revenue Budget is forecast to be £173,000 underspent (previously £48,000 underspent) reflecting where forecasts can be made with some certainty.

The overall Capital Programme is projected to be £89,000 underspent (previously £179,000 underspent) and the current year's Capital Programme is projected to be underspent by £4,232,000 (previously £2,214,000 underspent) as there is further slippage in both Property and Fleet.

The Authority maintains Earmarked and General Reserves in order to assist it in managing its spending plans across the 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.

RECOMMENDATION**The Panel is asked to note:**

- (i) the risks to Revenue Budget and the projected underspend,
 - (ii) the risks to the Capital Programme and the projected in year and overall underspends,
 - (iii) the use of reserves,
 - (iv) the monitoring of savings taken in 2019/20, and
 - (v) the current year investments
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1. Introduction

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

	This report £'000	Last report £'000	Difference
Revenue (see paragraph 2)	(173)	(48)	(125)
Capital in year (see paragraph 4)	(4,232)	(2,214)	(2,018)

- 1.2 This is the third report to Policy and Resources and fourth to members for the 2019/20 financial year and there continue to be elements both internal and external that will influence the final position.
- 1.3 The current forecast is for a Revenue Budget underspend of £173,000 (previously £48,000 underspent) with a number of small changes across the Service.
- 1.4 At £7.7m the 2019/20 Capital Programme is the largest for many years. The delivery of key schemes has been reviewed in the light of factors such as the availability of project management resources and as a result the in-year spend is now forecast to be £4,232,000 underspent (previously reported as £2,214,000).
- 1.5 This Report highlights risks to the 2019/20 Revenue Budget and Capital Programme that may result in significant change to the projections. While certainty increases as the year progresses circumstances change and new risks arise. This Report considers the risks faced.

2. Revenue Budget Commentary

- 2.1 **Training and Assurance:** The Budget manager has reported a small underspend of £35,000 (previously on target). The underspend relates to a vacancy in the Health and Safety Team and pension savings. This may be used to fund the integration of the e-learning system (i-learn) to FireWatch and the extension of an existing secondment. The T&A budget is currently absorbing the training and salary costs of the new Wholtime Firefighter recruits, when the budget can no longer absorb the projected costs there will be a call on the Firefighter Recruitment reserve.
- 2.2 **Resources/Treasurer:** The overall position is a projected overspend of £34,000 (previously reported as £11,000 underspend).
- 2.2.1 **ITG:** The ITG Manager has reported a projected overspend of £141,000 (previously £96,000 overspend) of which the main components are revisions to timings for the roll out of Office 365 of £50,000, an error in the budget for telephony of £27,000, additional cost of £37,000 for Microsoft SQL / Server licenses resulting from IT Strategy projects (CRM, Business Intelligence system, FireWatch and Hydrants) not identified in the original business cases and a number of smaller, mainly one-off items, overspend of £27,000. The Microsoft SQL / Server overspend will represent an additional pressure for the 2020/21 budget. Included in the ITG budget is £760,000 of spend relating to

ITG projects, this will be funded from the ITG strategy reserve at the end of the financial year.

- 2.2.2 **Estates:** The Estates Manager has reported a projected underspend of £67,000 on Business Rates (as previously reported).
- 2.2.3 **Finance, Risk and Insurance:** The Finance Manager has reported a projected underspend on the Financial Services contract with Orbis of £40,000 (as previously reported).
- 2.3 **Planning and Improvement:** The budget manager has reported a small underspend of £5,000 (previously on target). The underspend relates to the Cost of Democracy budget for members travel.
- 2.4 **Human Resources and Organisational Development:** The budget manager has reported an underspend of £40,000 (previously on target). The underspend relates to vacancies that cannot be filled between now and the end of the financial year. The budget manager requests to carry the underspend forward into the new financial year to cover the cost of implementing the new Behavioural Framework. The request will be determined as part of the year end process.
- 2.5 **Safer Communities:** By far the largest budget and with the biggest influence on the overall financial performance of the Service the current forecast is on target (as previously reported). Since the last report there have been improvements in the payroll coding and errors found are being corrected.
 - 2.5.1 In order to deliver the Service more firefighters are employed than the budget provision, in November the number was nine. However the budget provides for all grey book staff to be paid at Competent pay rates when in fact there are currently 12% on Development pay rates partially offsetting the additional pay bill, calculated at approximately £150,000 full year impact.
 - 2.5.2 An additional £240,000 was included in the 2019/20 pay budget to assist with resilience in crewing. This is being used to offset a forecast overspend in wholetime overtime.
- 2.6 **Operational Support & Resilience:** The OSR budget is projected to underspend by £38,000 (previously on target). The underspend relates to Operations Policy and Procedure budget where the budget is projected to be £30,000 underspent as a result of budgeted training that may not happen this year and a further £8,000 on the AD OSR budget, a combination of pension and equipment underspends.
- 2.7 **CFO Staff:** There is a forecast overspend of £14,000 relating to the 15% increase NFCC subscription (as previously reported).
- 2.8 **Treasury Management:** There is some uncertainty surrounding interest rates for the rest of the year, especially given the situation regarding the UK's exit from the EU, but with a decision concerning Brexit being pushed back to 31 January 2020 there is a clearer picture up to that date. The projections have been reviewed and it is prudent to anticipate income of £205,000 against a budget of £75,000 giving an underspend

of £130,000 at this stage (previously £80,000 underspend) and a further £2,000 underspend on bank charges.

2.9 **Non Delegated Costs:** There is a projected overspend on the central non Delegated budget of £29,000 (as previously reported). The projected overspend relates to Injury pensions £24,000 and miscellaneous corporate income budgets of £5,000.

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 2019/20. 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 £26,700 remaining.

Corporate Contingency 2019/20	£
Original Budget	563,700
Carry forward funding	150,000
Business safety (impact of use of reserves)	50,000
Release of SCC carry forward	22,000
Total budget	785,700
Committed	
Ops P & P 42 secondment 10 months	44,300
Hep B Vaccinations	15,000
Fire cadet Scheme year one set up only	13,200
Additional internal audit costs 2019/20	6,600
SCC	250,000
Webex Implementation - one off	32,900
Talent Link, estimated part year revenue impact	12,000
Corporate Wi-Fi, estimated part year revenue effect	18,000
Employee pressures from budget setting (net)	22,000
Additional asbestos medicals	18,000
Temporary support for Payroll	30,000
Carry forwards:	
Operational Response 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	759,000
Total Remaining	26,700

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. As at 30 November 2019 the savings have been achieved except for the Other Operational Savings. The

review of Offshore Maritime capability has not been completed, the saving has not been achieved but savings in other areas have offset the shortfall in 2019/20.

4. **Capital Programme Commentary**

- 4.1 The Panel is reminded that at £7.7m this is the largest Capital Programme for some years and that the average annual spend in recent years has been £1.6m so delivering to plan will be challenging. The current forecast is for an in-year underspend of £4,232,000 (previously £2,214,000 underspend). Since the Estates Strategy was approved in February 2019 delays have occurred as a result of extensive time invested in engagement with staff groups, the need to recruit additional project management capacity (now in place) and changes of partner requirements which have necessitated revisions to scheme designs. As a result of this experience the Estates Capital Schemes are being re-profiled as part of the review of the capital programme for 2020/21 onwards.
- 4.2 **Shared Investments:** The Scheme Manager has advised that the shared investments schemes are slipping into 2020/21. This means that the schemes are forecast to underspend by £1,321,000 in the current financial year (previously £1,051,000 underspent).
- 4.3 **Replacement Fuel Tanks:** The Scheme Manager has advised that following the adjustment to the budget at the last Policy and Resources Panel, the scheme is forecast to overspend by £90,000 in the current year, (previously £90,000 underspend). The in-year overspend reflects slippage in the programme of works of £180,000 and partner contribution of £270,000 which will not be received until 2020/21. Overall the scheme is forecast to be on target. Sussex Police have agreed in principle to contribute an additional £60,000 to the cost of the scheme and this will be reflected in monitoring once formal agreement is given.
- 4.4 **Design Guide Schemes:** Problems putting in place resources to deliver the Estates Strategy have resulted in the Estates Manager forecasting this scheme will underspend by £677,000 and slipped into 2020/21 (previously £200,000 underspend).
- 4.5 **Sustainability:** The Scheme Manager has advised that this scheme will underspend by £160,000 (previously £110,000 overspent). It was previously reported that the scheme could have been accelerated and would overspend by £110,000 in the current year and be on target overall however pressures to deliver property schemes overall mean this is no longer the case.
- 4.6 **Security:** The Scheme Manager has advised that this scheme will underspend by £42,000 (as previously reported), this amount will need to be slipped into 2020/21.
- 4.7 **General Schemes:** The Scheme Manager has advised that this scheme will underspend by £418,000, this amount will need to be slipped into 2020/21 (previously reported as £245,000 underspend).
- 4.8 **Aerial Appliances:** The Scheme, following Policy and Resources approval, has been increased to £725,000 reflecting the introduction of the additional works to the Aerial Rescue Pump (ARP) and is on target overall. The Scheme Manager has

reported that the ARP improvements have been delivered this financial year and that first two stages relating to the Aerial Ladder Platform will be delivered, there will be a £200,000 in year underspend that will need to be slipped (previously reported as on target).

- 4.9 **Fire Appliances:** The Scheme Manager has advised that three of the six appliances planned for delivery this year will be delivered and the other three in 2020/21, resulting in an in year underspend of £673,000 (previously £300,000 underspend) which will slip into 2020/21.
- 4.10 **Ancillary Vehicles 2019/20:** The Scheme Manager is forecasting an in-year underspend of £689,000 (previously £406,000 in year underspend) with overall savings of £89,000 (as previously reported):
- The Animal Rescue Vehicle will have stage payments one and two made in 2019/20 totalling £215,000 and slippage of £107,000 into 2020/21.
 - The General Purpose truck will be delivered in year with an underspend of £60,000.
 - Of the four Land Rover replacement vehicles due to be replaced in 2019/20 one is expected to be delivered in 2019/20 and once this vehicle has been evaluated in service the remainder will be delivered in 2020/21 resulting in an underspend of £300,000 slipped into 2020/21.
 - The Operational Support Unit will not be delivered in 2019/20 and of the underspend of £200,000 there is a £22,000 saving and £178,000 will be slipped into 2020/21.
 - Motorcycle and Motorcycle Trailer will slip into 2020/21 or beyond with an underspend of £15,000.
 - The forklift truck was delivered under budget by £7,000.
- 4.11 **Cars and Vans:** The Scheme Manager has advised that there will be an underspend of £72,000 (previously on target) which will slip into 2020/21. This relates to two Principal Officer cars that will not be delivered this financial year and a small overspend £1,000 on the replacement Small Vehicle.
- 4.12 **Telemetry:** The Scheme Manager has advised that further analysis is being carried out to ensure that the proposed solution provided through the ITF project meets the Service's needs. As a result this Scheme will underspend by £70,000 (previously on target) and slip into 2020/21.
- 4.13 **Vehicle Cameras:** The Scheme Manager has advised that this Scheme will underspend by £118,000 (previously on target) and will slip into 2020/21 however the Grant funding will also slip so although overall the Scheme appears on target it is slipping into 2020/21. The cameras and the telemetry projects are inter linked.
- 4.14 **BA & Radio Equipment (RPE Project):** Following confirmation of additional funding the AD OSR is forecasting that this Scheme is on target (previously £10,000 overspend).

5. **Revenue Budget and Capital Programme Risks**

5.1 **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 a decision in favour of the FBU. Further work is being carried out to assess the potential financial impact.

5.2 **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 January 2020). Funding will come from existing sources (£0.425m) and the balance of £1.375m from the Authority's reserves.

5.3 In addition the operational cost of SCC up to the point the joint service ceased may exceed the East Sussex budget provision. The budget is monitored by the SCC Governance Board regularly but the final position will not be known until that point but current forecasts suggest a pressure of circa £20,000.

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 drawn down from its Reserves as part of its future financial planning, potentially, by generating additional / earlier revenue savings.

5.5 **Apprenticeship Levy:** From May 2019 any unutilised apprenticeship levy funding is lost on a month by month basis. To 30 November 2019 £40,847.81 has been lost however the rate of loss has fallen from almost of £8,000 in June 2019 to only £659.86 in November 2019 as significant effort has been made to increase the number of apprenticeships.

5.6 **Working with Budget Managers:** There are a number of areas of the revenue budget where Budget Managers and the Finance Team continue to work on commitments and forecasting spend. Particularly in Estates and in Engineering where ordinarily this work would be more advanced but events earlier in the financial

year and ongoing pressures mean there is still work to do. In relation to Engineering, analysis of in year pressures relating to vehicle repairs and maintenance is underway and is likely to result in an overspend being reported in future reports.

6. Reserves

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

6.2 Overall Useable reserves are forecast to stand at £19.8m by the end of the year, £2.3m higher than expected. Earmarked reserves and General Fund balances are being drawn down more than planned, £3.5m against a planned £2.4m mainly IT Strategy, Improvement and Efficiency and RPE and communications (no planned draw down as it was expected to be used in 2018/19). Against this slippage in the Capital Programme is resulting in a reduction in the planned use of Capital Receipts of £3.4m however Capital Receipts can only be used to support capital expenditure so the reduction in Earmarked reserves is reducing the Service's flexibility to fund Revenue projects.

7. Borrowing and Investment

7.1 As at the 30 November 2019, the Authority held cash balances of £27.52m 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 to P and R
	£'000	£'000	£'000	£'000	%	£'000
Training and Assurance	2,333	2,358	2,323	(35)	(1.5)	
Resources/Treasurer	7,101	7,194	7,228	34	0.5	(11)
Planning and Improvement	1,331	1,454	1,449	(5)	(0.3)	
Total Deputy Chief Fire Officer	10,765	11,006	11,000	(6)	(0.1)	(11)
Human Resources and OD	1,147	1,168	1,128	(40)	(3.4)	
Safer Communities	20,562	20,861	20,861		0.0	
Operational Support	3,689	4,126	4,088	(38)	(0.9)	
Total Assistant Chief Fire Officer	25,398	26,155	26,077	(78)	(0.3)	0
CFO Staff	657	685	699	14	2.0	14
Treasury Management	856	856	724	(132)	(15.4)	(80)
Non Delegated costs	(828)	(1,096)	(1,067)	29	(2.6)	29
Corporate Contingency	506	146	146		0.0	
Transfer from Reserves		(398)	(398)		0.0	
Transfer to Reserves	1,683	1,683	1,683		0.0	
Total Corporate	2,874	1,876	1,787	(89)	(4.7)	(37)
Total Net Expenditure	39,037	39,037	38,864	(173)	(0.4)	(48)

Financed By:						
Council Tax	(27,215)	(27,215)	(27,215)	0	0.0	0
Business Rates	(11,346)	(11,346)	(11,346)	0	0.0	0
S31 Grants	(375)	(375)	(375)	0	0.0	0
Collection Fund						
Surplus/Deficit	(101)	(101)	(101)	0	0.0	0
Total Financing	(39,037)	(39,037)	(39,037)	0	0.0	0
Total Over / (Under) Spend	0	0	(173)	(173)	(0.4)	(48)

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East Sussex Fire Authority
2019/20 Capital Budget Monitoring

Capital Programme Expenditure						
	Total Budget	Revised Budget	Projected spend	Variance	Variance	Variance last P and R report
	£'000	£'000	£'000	£'000	%	£'000
Property						
Shared Investment Schemes						
Integrated Transport Project	100	100	0	(100)	(100.0)	
- Partner contribution						
Integrated Transport Project net cost	100	100	0	(100)	(100.0)	0
One Public Estate						
- Heathfield	50	50	10	(40)	(80.0)	(30)
- Partner contribution						
- Heathfield net cost	50	50	10	(40)	(80.0)	(30)
- Lewes	200	250	20	(230)	(92.0)	(150)
- Partner contribution						
- Lewes net cost	200	250	20	(230)	(92.0)	(150)
- Preston Circus	1,000	1,031	150	(881)	(85.5)	(831)
- Partner contribution						
- Preston Circus net cost	1,000	1,031	150	(881)	(85.5)	(831)
- Uckfield	70	80	10	(70)	(87.5)	(40)
- Partner contribution						
- Uckfield net cost	70	80	10	(70)	(87.5)	(40)
Total Shared Investment Schemes	1,420	1,511	190	(1,321)	(87.4)	(1,051)
Strategic Schemes						
- Replacement Fuel Tanks	220	400	220	(180)	(45.0)	(90)
- Partner contribution		(270)	0	270	(100.0)	
- Replacement Fuel Tanks net cost	220	130	220	90	69.2	(90)
Design Guide Schemes	727	707	30	(677)	(95.8)	(200)
BA Chambers works	0	6	6	0	0.0	
Sustainability	180	180	20	(160)	(88.9)	110
Security	42	42	0	(42)	(100.0)	(42)

Total Strategic Schemes	1,169	1,065	276	(789)	(74.1)	(222)
General Schemes	786	786	368	(418)	(53.2)	(245)
Total Property	3,375	3,362	834	(2,528)	(75.2)	(1,518)
Information Management						
- Sussex Control Centre	0	37	37	0	0.0	
- Grant funding		(37)	(37)	0	0.0	
- Sussex Control Centre net cost	0	0	0	0	0.0	0
Fleet and Equipment						
- Vehicle Cameras		118	0	(118)	(100.0)	
- Grant funding		(118)	0	118	(100.0)	
- Vehicle Cameras net cost	0	0	0	0	0.0	0
- BA & Ancillary Equipment		437	437	0	0.0	
- grant funding		(10)	(10)	0	0.0	10
- BA & Ancillary Equipment net cost	0	427	427	0	0.0	10
Aerial Appliances	700	725	525	(200)	(27.6)	
Fire Appliances	1,600	1,700	1,027	(673)	(39.6)	(300)
Ancillary Vehicles	828	1,205	516	(689)	(57.2)	(406)
Cars	84	84	12	(72)	(85.7)	
Vans	141	141	141	0	0.0	
Telemetry		70		(70)	(100.0)	
Total Fleet and Equipment	3,353	4,352	2,648	(1,704)	(39.2)	(696)
Total Expenditure	6,728	7,714	3,482	(4,232)	(54.9)	(2,214)

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

Capital Programme Expenditure						
	Original Budget	Revised Budget	Projected spend	Variance	Variance	Variance last report
	£'000	£'000	£'000	£'000	%	£'000
Property						
Shared Investment Schemes						
Integrated Transport Project	1,000	1,000	1,000	0	0.0	
- Partner contribution						
Integrated Transport Project net cost	1,000	1,000	1,000	0	0.0	0
One Public Estate						
- Heathfield	50	50	50	0	0.0	
- Partner contribution						
- Heathfield net cost	50	50	50	0	0.0	0
- Lewes	250	300	300	0	0.0	
- Partner contribution						
- Lewes net cost	250	300	300	0	0.0	0
- Preston Circus	3,138	3,169	3,169	0	0.0	
- Partner contribution						
- Preston Circus net cost	3,138	3,169	3,169	0	0.0	0
- Uckfield	100	110	110	0	0.0	
- Partner contribution						
- Uckfield net cost	100	110	110	0	0.0	0
Total Shared Investment Schemes	4,538	4,629	4,629	0	0.0	0
Strategic Schemes						
- Replacement Fuel Tanks	220	400	400	0	0.0	(90)
- Partner contribution		(270)	(270)	0	0.0	
- Replacement Fuel Tanks net cost	220	130	130	0	0.0	0
Design Guide Schemes	4,021	4,001	4,001	0	0.0	
BA Chambers works	405	411	411	0	0.0	
Sustainability	445	445	445	0	0.0	

Security	160	160	160	0	0.0	
Total Strategic Schemes	5,251	5,147	5,147	0	0.0	0
General Schemes	3,925	3,925	3,925	0	0.0	0
Total Property	13,714	13,701	13,701	0	0.0	0
Information Management						
- Sussex Control Centre	1,643	1,680	1,680	0	0.0	
- Grant funding	(1,643)	(1,680)	(1,680)	0	0.0	
- Sussex Control Centre net cost	0	0	0	0	0.0	0
Fleet and Equipment						
- Vehicle Cameras		118	118	0	0.0	
- Grant funding		(118)	(118)	0	0.0	
- Vehicle Cameras net cost	0	0	0	0	0.0	0
- BA & Ancillary Equipment	1,003	1,440	1,440	0	0.0	
- grant funding	0	(10)	(10)	0	0.0	
- BA & Ancillary Equipment net cost	1,003	1,430	1,430	0	0.0	0
Aerial Appliances	1,400	1,400	1,400	0	0.0	
Fire Appliances	7,320	7,420	7,420	0	0.0	
Ancillary Vehicles	3,451	3,706	3,617	(89)	(2.4)	(89)
Cars	1,646	1,646	1,646	0	0.0	
Vans	546	546	546	0	0.0	
Telemetry		70	70	0	0.0	
Total Fleet and Equipment	15,366	16,218	16,129	(89)	(0.5)	(89)
Total Expenditure	29,080	29,919	29,830	(89)	(0.3)	(89)

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

Description	Opening Balance 01/04/19	2019/20 Planned Transfers In	2019/20 Planned Transfers Out	2019/20 Actual Transfers In	2019/20 Actual Transfers Out	Projected Closing Balance 31/03/20
	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves						
Improvement and Efficiency	1,303		(675)		(1,185)	118
Sprinklers	490	150	(250)	150	(347)	293
Insurance	249					249
RPE and communications	192				(192)	0
ESMCP ESFRS readiness	1,425		(765)			1,425
ESMCP Regional Programme reserve	799	249	(485)	249	(485)	563
Responding to new risks Revenue	18				(18)	0
Safer Business Training	476		(164)		(155)	321
IT Strategy	3,370	483	(1,200)	516	(1,949)	1,937
Wholetime Firefighter recruitment	308		(308)		(308)	0
SCC	175		(455)	1,048	(1,223)	0
Business Rates Retention Pilot, financial stability	0	550		480		480
Business Rates Retention Pilot, economic development	0			70		70
Carry Forwards	193				(193)	0
Capital Programme Reserve	4,761	500		500		5,261
Total Earmarked Reserves	13,759	1,932	(4,302)	3,013	(6,055)	10,717
General Fund	2,417				(458)	1,959
Total Revenue Reserves	16,176	1,932	(4,302)	3,013	(6,513)	12,676
Capital Receipts Reserve	9,477	515	(6,296)	515	(2,859)	7,133
Total Capital Reserves	9,477	515	(6,296)	515	(2,859)	7,133
Total Usable Reserves	25,653	2,447	(10,598)	3,528	(9,372)	19,809

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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)	(19)	30
	Other one-off savings		(30)	(30)
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 November 2019

Counterparty & Type	Amount invested	Rate %
Barclays Bank 95 Day Notice (base + 0.95%)	£4.0m	0.95%
Santander 95 Day Notice (base +0.25%)	£4.0m	1.00%
Lloyds / HBOS 175 Day Notice (Base + 0.38%)	£4.0m	1.13%
Goldman Sachs 95 Day Notice (Base + 0.25%)	£4.0m	0.95%
Aberdeen MMF	£4.0m	0.74%
Insight MMF	£4.0m	0.72%
Deutsche MMF	£3.52m	0.71%
Total	£27.52m	

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EAST SUSSEX FIRE AUTHORITY

Panel	Policy and Resources
Date	16 January 2020
Title of Report	Fire Authority Service Planning Processes for 2020/21 and Beyond – Revenue Budget 2020/21 and Capital Strategy 2020/21 to 2024/25
By	Chief Fire Officer and Assistant Director Resources / Treasurer
Lead Officer	Warren Tricker, Finance Manager

Background Papers Fire Authority Service Planning processes for 2019/20 and beyond – Revenue Budget 2019/20 and Capital Strategy 2019/20 to 2023/24: Fire Authority 14 February 2019. 2020/21 Strategic Service Planning and Medium Term Financial Plan: Fire Authority 5 September 2019. Economic and Fiscal Outlook, March 2019; 2019 Office of Budget Responsibility. Restated March 2019 forecast: Office of Budget Responsibility.

Appendices

- A – Medium Term Finance Plan 2020/21 – 2024/25
- B – Revenue Budget Summary 2020/21
- C – Fees and Charges
- D – Medium Term Capital Strategy 2020/21 – 2024/25
- E – Reserves and Balances Policy
- F – Precept for 2020/21
- G – Establishment 2020/21
- H – Local Government Financial Settlement (provisional) Core Spending Power of Combined Fire Authorities

Implications

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

PURPOSE OF REPORT To present the Fire Authority’s draft Revenue Budget 2020/21, Capital Strategy 2020/21 – 2024/25 and Medium Term Finance Plan for 2020/21 – 2024/25 for initial consideration prior to its formal consideration by the Fire Authority at its meeting on 13 February 2020.

EXECUTIVE SUMMARY The Authority’s budget proposals for 2020/21 and its five year Medium Term Finance Plan (MTFP) have been updated to reflect:

- The Local Government Finance Settlement (LGFS) which was announced on a provisional basis on 20 December with a consultation period to 17 January 2020
- The pressures, growth bids and savings identified through the business planning and budget setting process.
- The latest updates from the billing authorities on council tax and business rates income.

The Authority has continued to make good progress in identifying and agreeing savings proposals over the last 12 months. The latest version of the MTFP shows that the Authority has already identified £0.396m of savings in 2020/21.

This report outlines proposals for setting a balanced revenue budget for 2020/21, including commitments, growth bids and new savings. In response to the Autumn consultation on the Technical Consultation on the LGFS the Authority lobbied the Government for a similar approach for fire authorities as it takes with shire districts and allow a principle of 2% or £5 whichever is the greater. However the Provisional LGFS has confirmed the threshold of 2% will apply (as proposed in the Consultation).

There remains significant uncertainty for fire funding beyond the current one year LGFS. For 2021/22 and beyond there are potentially significant risks as a result of proposals to change the Business Rates Retention regime, the Fairer Funding Review and a Comprehensive Spending Review following the outcome of the recent General Election. There remains a series of other risks for the Authority to consider in setting its budget and MTFP which are set out in this Report. The impact of West Sussex County Council’s withdrawal from the Sussex Control Centre from December 2019 is reflected in both the base revenue budget and the use of earmarked reserves as previously agreed by the Authority. Further revisions to the budget and MTFP will be required once the Authority has made its decision on its future mobilising

strategy (Project 21) on 9 January 2020. If the recommendation made by officers are accepted it will have a material impact both on reserves and future revenue costs.

As a consequence of this uncertainty the MTFP forecasts overall central support in three scenarios:

- Best case – flat cash (i.e. Settlement Funding Assessment (SFA) maintained at 2020/21 cash levels)
- Mid Case - 5% annual decrease in SFA
- Worse Case - 7.5% annual decrease in SFA

The revised MTFP under the mid-case option shows a need to deliver further savings of £2.394m by 2024/25. In the worst case scenario this increases to £3.291m by 2024/25. In the best case scenario this reduces to £0.375m.

Officers will continue to explore the potential for further savings to meet the identified target by 2024/25 through various activities however a key element will be outcome from the Operational Response Review.

The Capital Asset Strategy (CAS) reflects the Authority's identified capital investment requirements for the next five years and has been updated significantly to reflect the new Estates Strategy and the re-profiling of the Fleet Strategy. With an overall increase in spend over the life of the Strategy and the receipts from the sale of the old HQ supporting the investment in the existing property portfolio the Authority must now plan to enter into new borrowing over the life of the Strategy and the Treasury Management Strategy will carefully consider the options available. The Revenue impacts of new borrowing is reflected in the MTFP from 2022/23 onwards.

The Authority has acted prudently in establishing reserves and balances to meet its assessed risks and to provide one off funding for specific priorities. The level of reserves held will significantly reduce over the life of the MTFP and this will bring forward the need to borrow and reduce the level of financial flexibility the Authority has outside of its Revenue Budget. This position could be accelerated by the Authority's decision on Project 21. The 2020/21 budget proposes an additional contribution of £0.5m into the Improvement and Efficiency Reserve to allow the Authority to continue to support change and improvement and a reduction in the level of General Balances to 5% of the net revenue budget.

RECOMMENDATION

The Panel is recommended to:

1. Note that:
 - (a) the one year settlement as set out in the Local Government Finance Settlement is only provisional at this stage and may be subject to change;
 - (b) the proposed increase in council tax of 1.99% is based on the threshold proposed in the Provisional LGFS;
 - (c) the East Sussex Business Rate Pool, of which the Authority is a member, has been approved as part of the LGFS, and that any income will be transferred into the Business Rates Pool Reserve (formerly the Safer Business Training Reserve);
 - (d) the final council tax and business rate bases and the collection fund positions are still awaited and that final budget proposals may change once this information is received; and
 - (e) this report will be amended to reflect the financial impact of the Authority's decision on Project 21 before it is taken to the Fire Authority on 13 February 2020.
2. Recommend that the Fire Authority, subject to any changes as a result of recommendation 1, approves:
 - (a) an increase in council tax of 1.99% and thus approves:
 - (i) the budget proposals set out in this Report and the net budget requirement of £39.587m for 2020/21;
 - (ii) the council tax requirement of £28.033m; 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 £5.932m for 2020/21 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 5% 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.

1. INTRODUCTION

- 1.1 The report sets out the proposed Revenue Budget for 2020/21, a revised MTFP for 2020/21 to 2024/25 as well as the proposed CAS and Capital Programme for the Authority for the period 2020/21 to 2024/25 for the Panel to consider. The report is based on the latest information available, but Members should note that 2020/21 represents a one-year settlement and may still be subject to change given the range of information still outstanding at the time of writing this report, including a decision on Project 21 and that the final council tax and business rate bases and the Collection Fund positions.
- 1.2 The Provisional LGFS suggests a council tax referendum threshold of 2% for 2020/21 for Fire Authorities and that remains the basis of our modelling.
- 1.3 The Authority had its four year efficiency plan approved by the Home Office and this has provided certainty in central Government funding for the period to 2019/20. As a result of the UK's withdrawal from the EU and the December election the 2020/21 LGFS is a one-year settlement and beyond that a number of assumptions have been made as to the level of funding in the MTFP.
- 1.4 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months. The latest version of the MTFP includes savings of £0.651m including £0.396m identified as part of the 2020/21 budget setting process. It includes other changes to spending plans, the provisional LGFS and latest estimates on council tax and business rates. Taken together these show that the Authority can deliver a balanced budget along with flexibilities in the Corporate Contingency and an additional contribution to the Improvement and Efficiency earmarked reserve.
- 1.5 There remains significant uncertainty for funding in 2021/22 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The new Government has announced its policy agenda for the future in the Queen's Speech but it is not clear how this will impact on the anticipated Comprehensive Spending Review (CSR21), the fairer funding review and the future of the business rates system. Alongside this issues such as Brexit, the Hackett review, HMI findings locally and nationally, pension costs, the Authority's ORR and major projects such as Project 21 and ESN are likely to impact on our financial position over the medium term.
- 1.6 The level of savings required post 2020/21 will depend heavily on these factors. Our scenario modelling indicates the requirement to make savings of £0.627m in 2021/22 falling to £0.375m (best case), £1.171m in 2021/22 increasing to £2.394m by 2024/25 (mid case) and £1.443m in 2021/22 and £3.291m in 2024/25 (worse case).

2. ECONOMIC OUTLOOK

- 2.1 The general state of the economy is an important factor in setting the Authority's revenue budget and MTFP over the next five years. Both in the UK and globally economic growth has slowed however for the UK tax receipts have been higher than expected and the Office of Budget Responsibility (OBR) expect this buoyancy to

continue. Together with downward pressure on debt interest spending from lower market interest rates, this delivers a modest medium-term improvement in the public finances. The OBR in its most recent forecast has revised GDP growth down to 1.2% but in the medium term it remains circa 1.5%.

- 2.2 The Government's stated fiscal mandate is to maintain the structural deficit as less than 2% of GDP. The OBR in its restated forecast illustrate how this is being achieved in 2019/20 but warn that this is not a forecast of it being met in future years with uncertainty over direct impact of higher departmental spending on borrowing and the extent it will be partly offset by its indirect impact on economic activity and tax receipts. Higher departmental spending on staff would also boost contributions to public service pension schemes, reducing the net cost of them in annually managed expenditure.
- 2.3 The official UK bank interest rate increased from 0.50% to 0.75% in August 2018 and remains unchanged following its meeting on 19 December 2019.
- 2.4 The Government continue to set the target for CPI at 2%. The November figure announced on 18 December 2019 was 1.5% unchanged from the October figure and the OBR expect it to continue to rise to 1.9% by the end of 2020 and then to the 2% target in 2021.

3. NATIONAL FUNDING

- 3.1 The Spending Round 2020 announced on 4 September 2019 set out a more positive settlement for the fire sector nationally than had been anticipated, with a commitment to increase settlement funding assessment (SFA) by inflation for 2020/21 ("cash real"). This is reflected in the provisional LGFS. This contrasted with our existing modelling which anticipated reductions in SFA in the first year of a three year CSR of between 5% - 7.5%. The Home Office has also subsequently confirmed that its 2020/21 budget includes a continuation of the funding (£115m) for the one off fire pensions grant awarded to fire in 2019/20, although this is yet to receive formal approval.
- 3.2 The Government issued its Technical Consultation on the LGFS in October with a deadline for responses by 31 October. The Consultation proposed a council tax referendum threshold of 2%. The Authority and the sector nationally has lobbied for an increase of 2% or £5 whichever is the greater in order to allow it to invest in protection services post Grenfell and in anticipation of the outcomes of the Hackett Review, and to address the areas for improvement identified by HMI.
- 3.3 The Provisional Local Government Finance Settlement (LGFS) was due to be announced by 5 December but was delayed by the General Election. It was released on 20 December 2019 and is in line with expectations. We have modelled on the basis of the Provisional LGFS and used the analysis provided by Local Government Futures. The main assumptions from a funding perspective are:
 - SFA (RSG and Business Rates) will increase by CPI from the assumed level of funding in 2019/20 (remembering that the Authority is currently part of a one year BRR Pilot)

- that the 2019/20 pensions grant will be extended at the same level for another year
 - that the council tax referendum threshold will be set at 2%
 - that if the East Sussex Business Rate Pool is approved for 2020/21 any income will be transferred into the earmarked reserves.
- 3.4 Any decision to trigger a council tax referendum would incur a significant cost in actually carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling. The Revenue Budget and MTFP have been prepared on the basis of a 1.99% increase for 2020/21 and beyond.
- 3.5 The Local Government Finance Report (England) 2020/21 will be debated in Parliament at some point in February and there is a risk that final funding figures will not be announced in time for the Authority's budget setting meeting on 13 February 2020. This does not prevent the Authority setting either its budget or its precept but it is recommended that authority is delegated to the Chief Fire Officer, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.
- 3.6 There remains significant uncertainty for funding in 2021/22 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The new Government has set out its policy agenda in the Queen's Speech but it is not clear how this will impact on the anticipated Comprehensive Spending Review (CSR21), the fairer funding review and the future of the business rates system. As a consequence of this uncertainty the MTFP forecasts overall central support in three scenarios:
- Best case – flat cash (i.e. Settlement Funding Assessment (SFA) maintained at 2020/21 cash levels)
 - Mid Case - 5% annual decrease in SFA
 - Worse Case - 7.5% annual decrease in SFA
- 3.7 The current assumption is that as part of the one-year only LGFS, losses from central Government policy changing business rates yield will be compensated for by a section 31 grant. Previously the MTFP relied on assumptions based on data from the billing authorities however the nature of the one-year LGFS means that it is preferred to use assumptions based on the 2019/20 actual data and announcements relating to the one-year LGFS supported by modelling provided by Local Government Futures.
- 3.8 Additional funding was provided to public sector bodies in 2019/20 in order to mitigate most of the increase in the employer contribution rate for the Firefighter pensions, with the sector paying £10m of the additional costs in 2019/20. It is anticipated that this will continue to be provided in 2020/21 however the actual amounts have yet to be announced. In the MTFP we have assumed that the 2019/20 grant will continue at the same value for the life of the MTFP (£1.735m).

3.9 There has been no announcement on specific grants for the fire and rescue service to date. However the one-year LGFS indicates a cash real increase in 2020/21 but we have assumed 10% p.a. reductions commencing in 2021/22.

4. MEDIUM TERM FINANCIAL PLAN

4.1 The MTFP (Appendix A) reflects the modelling for 2020/21 set out in paragraph 3.1 above and then the scenarios in paragraph 3.6 for the remaining four years of the plan. Appendix A shows the mid case in detail and a summary of the impact of the best and worse case scenarios. It includes the latest information on business rates and council tax (this will not be finalised until later in January). The risks set out in paragraph 4.8 below, the potential for further reductions in public spending and proposed changes to the way local government is supported centrally makes forecasting the position beyond 2020/21 extremely difficult. For that reason the forecast within the MTFP for 2021/22 to 2024/25 should be regarded only as indicative at this stage.

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

- From 2021/22 we have modelled a range of scenarios, flat cash (0% - best case) 5% decrease per year (mid case) and worse case (7.5% reduction per year);
- any changes to the distribution of business rates under the Government's localisation proposals for business rates will have a net nil impact on the Authority
- Section 31 grant to compensate authorities for the loss of income as a result of the capping of the multiplier and various reliefs is assumed to end after 2020/21.
- Growth in council tax base of 1.00% for 2020/21 and thereafter;
- Increases of 1.99% in council tax in 2020/21 and thereafter;
- Net provision for pay increases of 2.0% for all staff in 2020/21 and thereafter;
- Provision for price increases of 2.0% for the duration of the MTFP;
- Delivery of savings in line with agreed plans and identification of further savings through the Efficiency Strategy.
- That additional employers pension contributions for the Firefighter's Pension Scheme are funded through grant at the same level as in 2019/20 (i.e. the net cost to the Authority is unchanged from 2019/20)

4.3 The Authority was part of a successful bid to establish a Business Rate Retention Pilot in East Sussex and Urgency Panel on 3 January 2019 approved the Authority's participation. Most pilots are being disbanded in 2020/21 however the Authority is part of a proposal to re-establish the East Sussex Business Rates Pool and approval was confirmed in the provisional LGFS. We are awaiting further modelling of the potential benefits based on more up to date information and at this stage have not assumed any additional income. Any income would be transferred into earmarked reserves.

4.4 Overall, current forecasts for Collection Funds indicate neither a surplus nor deficit overall and although past performance indicates a modest overall surplus no amounts are currently included in the Revenue Budget.

- 4.5 For 2020/21 pay inflation for all terms and conditions is 2.0% which equates to £585,000.
- 4.6 The assumption for price inflation in the 2020/21 revenue budget and the remainder of the MTFP is 2.0%. Most forecasts of CPI indicate that the Government's target of 2% for CPI will be met by the Bank of England. Previously set at 2.5% a 2.0% assumption is more aligned to the likely rate and saves £0.045m in 2020/21 and £0.199m over the term of the MTFP.
- 4.7 The MTFP uses the 1.99% council tax increase for 2020/21 and for the duration of the MTFP. The result of the modelling is net expenditure increases of 1.4% in 2020/21 and then 2.0%, 1.9%, 1.8% and 2.2% in subsequent years.
- 4.8 There is a range of risks that have the potential to impact on the Authority's ability to deliver its budget plans over the medium term to which Members must give consideration, primarily:
- Our ability to identify and deliver the savings required to balance the budget over the medium term through the Efficiency Strategy and the Integrated Risk Management Plan (IRMP);
 - The impact of additional budget pressures for example, the need to maintain resilience funding for the operational establishment until the outcomes from the Operational Response Review are consulted upon and agreed and the revenue impact of continued investment in IT;
 - Uncertainty over the impact of the successful legal challenge to the transitional protections in place for local government and firefighters pension schemes;
 - The impact of funding for the SCC Programme on the Authority's reserves and the likely requirement for significant further investment in our Mobilising Strategy in the short to medium term;
 - Lack of clarity about the financial impact of the national Emergency Service's Mobile Communication Programme;
 - The potential for a national pay award to exceed the 2% provision in the budget;
 - Uncertainty about future governance and funding including:
 - New policy and legislative proposal from the incoming Government
 - The likely delay in three major Government funding reviews all now expected to take effect from 2021/22:
 - the three year Comprehensive Spending Review
 - the impact of the Fairer Funding Review
 - proposals for further (75%) localisation of business rates
 - The potential impact of the UK's decision to leave the EU including the impact of currency movements on the cost of goods and services purchased from the EU and more widely on the economy and the Governments fiscal objectives
 - The impact of local growth and additional housing, road and commercial risks;
 - Any further development of local devolution proposals;
 - Any further proposals by the Police & Crime Commissioner for changes to fire service governance in Sussex;
 - Outcomes for the fire service nationally and locally from the HMICFRS inspection process;

- Potential changes to the role of the Authority resulting from the Hackitt and Moore-Bick inquiries.

The Authority has made provision to manage financial risks and in year pressures through both the Reserves Strategy and a contingency within the Revenue Budget of £470,400 in 2020/21 decreasing to £345,600 by 2024/25.

4.9 In overall terms the assumptions set out in the report mean that the revised MTFP shows a balanced budget in 2020/21 and then a need to deliver further savings of £2.394m (mid case) by 2024/25. The best and worse-case scenarios give targets of £0.375m and £3.291m respectively. These targets will all increase if the Authority approves the Project 21 proposal on 9 January 2020.

5. **PROJECTED REVENUE POSITION 2019/20**

5.1 The Service Revenue Budget for 2019/20 is £39.037m. Based on figures to the end of December 2019, and as reported elsewhere on this Agenda, the revenue budget is forecast to underspend by £173,000.

5.2 The underspend is a forecast and cannot be relied upon to provide additional funds. It is likely that if an underspend does materialise the Authority would need to consider using it to return General Balances to its proposed policy minimum level of 5%.

6. **REVENUE BUDGET 2020/21**

6.1 **Impact of national funding changes on local position**

6.1.1 The Revenue Budget Summary for 2020/21 and the MTFP have been updated to reflect the provisional LGFS, and the most recent information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. The position is summarised below in Table 1.

Table 1: Summary of Impact of Local Government Finance Settlement

	2020/21 £'000
Locally Retained Business Rates	2,508
Top Up Grant	5,170
Business Rates Baseline	7,678
Revenue Support Grant	3,208
Settlement Funding Assessment	10,886
Estimated value of Business Rates Pool	0
S31 Grant - Business Rates Adjustment	668
Total for comparative purposes	11,554
As reported to Fire Authority 5 September 2019	10,256
Increase/(decrease) in funding	1,298

- 6.1.2 As a result of the December election and prolonged Brexit negotiations there will be no Business Rates reform in 2020/21 and Business Rates Retention pilots, of which this Authority is a member of the East Sussex Pilot, have been disbanded. Previously the Authority participated in the East Sussex Business Rates Pool with positive results. A bid to re-establish the East Sussex Business Rate Pool in 2020/21 has been submitted and approved through the provisional LGFS, but no additional income is included in the budget at this stage.
- 6.1.3 The Authority's council tax base for 2020/21 is calculated as 293,445.91, an assumed increase of 1.00% on 2019/20. The increased taxbase combined with a council tax increase of 1.99% yields additional income of £0.818m. The 2019/20 taxbase increase was 1.02% and the 2018/19 taxbase increase 1.55%.
- 6.1.4 Based on the latest information available we have assumed that there will not be a surplus on the council tax Collection Fund nor on the Business Rates Collection Fund. The 2019/20 Collection Fund surplus was £0.101m and members should note that any net collection fund surplus is a one-off benefit only.
- 6.1.5 In the 2017 Autumn Budget an announcement was made to compensate authorities for the central Government decision to bring forward of the change in indexation for the uplift of business rates from RPI to CPI which decreased income from locally retained business rates. It was previously assumed that this compensation within the increase in the section 31 grant would cease in 2020/21. This has been updated following the announcement of the provisional LGFS and is included in Table Two below.

Table 2: Movement in Resources

	2020/21 Latest position	2020/21 Fire Authority September 2019	Increase / (Decrease)
	£'000	£'000	£'000
Locally Retained Business Rates	2,508		
Business Rates Top up	5,170		
Business Rates Baseline	7,678	0	0
Revenue Support Grant	3,208		
Settlement funding assessment	10,886	10,256	630
Council Tax Collection Fund Surplus / (Deficit)	0	0	0
Business Rates Collection Fund Surplus / (Deficit)	0	0	0
Section 31 grant Business Rates adjustment	668	0	668
Total Funding	11,554	10,256	1,298
Council Tax			
Council Tax Requirement	28,033	28,049	(16)
Total Resources	39,587	38,305	1,282

6.2 Comparative position

6.2.1 As part of the provisional LGFS the Government publishes an assessment of all authorities' core spending power. For 2020/21 this Authority's increase in core spending power is assessed as 3.227% which is 0.025% lower than the average for all combined fire authorities (see Appendix H). The Government's calculation of core spending power assumes that all authorities set a council tax increase at the referendum threshold. In terms of spend per 1,000 population this Authority ranks second out of 23 combined fire authorities based on actual expenditure for 2018/19 (source CIPFA Stats).

6.2.2 A comparison of Band D council tax for 2019/20 shows that this Authority ranks fourth highest out of 23 combined fire authorities. The Authority's Band D tax for 2019/20 was 8.3% higher than the authority ranked one below and 4.86% lower than the authority ranked higher.

6.3 Overview of current budget proposals

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

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

- (ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability
- (iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate
- (iv) to deliver our Purpose and Commitments through our Integrated Risk Management Plan (IRMP) and our other key corporate strategies
- (v) to identify sufficient savings over the medium term to ensure it has a balanced budget and sustainable medium term finance plan in the light of expected reductions in public sector funding

6.3.2 The Authority has since 2010/11 achieved £9.158m of operational and non-operational savings. The current MTFP has a savings of an additional £0.651m over the period covered by the MTFP.

6.3.3 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves and Balances. The 2020/21 Revenue Budget has been prepared against a background of continued uncertainty regarding future funding for public services. We are currently anticipating that CSR and other reviews affecting our medium term funding from central government will be completed by 2021/22. We have modelled a range of funding scenarios and the Authority should, as a minimum ensure that it makes plans to address the mid case scenario.

Table 3: Summary of Net Budget Requirement 1.99% council tax increase

	£'000	Change %
Original Estimate 2019/20	39,037	
Pay inflation	585	1.50%
Non pay inflation	169	0.43%
Changes in capital financing	0	0.00%
Commitments	192	0.49%
Savings	(396)	(1.01%)
Original Estimate 2020/21	39,587	1.41%

6.4 Consultation

6.4.1 The Authority carried out an 8-week public consultation on its Integrated Risk Management Plan (IRMP) 2017 to 2020. The full results of the consultation were reported to the Fire Authority at its meeting on 8 December 2016 (Item 959). It had a broader reach than in previous years as a result of an extensive communication strategy and concentrated engagement from Fire Authority members. The quantitative on-line survey received 528 responses and qualitative feedback was gathered at 3 consultation fora.

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

- 6.4.3 Further consultation on council tax is planned as part of the broader public consultation on the Operational Response Review and the new IRMP and this is expected to take place in the spring of 2020. However we will be consulting partners, representative bodies and business groups on our budget proposals for 2020/21 and any feedback from this process will be included in the final report to Fire Authority on 13 February 2020.

6.5 Fees and Charges

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

- 6.5.2 Appendix C gives details of increases in fees and charges for fire and rescue service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. The main impact on the costs of providing these services is pay related. Therefore to reflect nationally agreed increases in pay and the overall level of budget provision for pay awards, it is proposed to increase fees and charges by 2.0% in 2020/21 except in some cases where other factors determine the increase.

- 6.5.3 Officers are assessing the potential for developing new charging mechanisms for some services including false alarms. The policy will be to use this as a demand control strategy rather than to generate income and as such income targets for these areas are not included in the revenue budget or MTFP.

6.6 Main Variations

- 6.6.1 In setting the 2020/21 Revenue Budget a number of commitments have already been agreed, either previously as part of the 2019/20 budget setting or from the 2020/21 budget setting and Star Chamber process. These add to or reduce the revenue budget as pressures and cyclical items and one-off projects come and recede. Some are fixed sums and others are driven by assumptions. The current position is illustrated in table 4:

Table 4: 2020/21 Budget Commitments

	Current position £'000
Removal of temporary increases	
Cessation of the 75% Business Rates Pilot income.	(550)
Final reduction in contribution to Sprinklers earmarked reserve.	(150)
Removal of the 2019/20 resilience crewing in Safer Communities.	(240)
Removal of additional funding for Programme Management Office (PMO).	(77)
Net adjustment to the Engineering Strategy spending plans.	(1)
Impact of utilising all agreed ORR funding in 2019/20	(100)
Service pressures	
Support Staff Pay and Grading - incremental increases.	102
LGPS impact of triennial valuation.	(33)
Revised PMO structure.	55
Impact of terms and conditions review	24
Facilitate the HMICFRS inspection in Spring 2021. SM for 6 months for project support. One year only.	35
ORR Implementation - programme management resource 1 x GM for 12 months only.	84
Reinstate resilience crewing for one year only.	240
Additional pensions resource, three months only	15
ITG service pressures, net of savings of £66,300 and redundant income budgets of £94,000	378
Injury gratuities. Existing pressure may be mitigated in future years by case reviews.	15
I&E Reserve Contribution to enable further invest to save activity in relation to ORR and Efficiency Strategy. One year only.	500
Control interim service one year only	546
Fund Control interim service from General and earmarked reserves, one year only	(546)
SCC exit project costs, one year only	77
Fund SCC exit project costs, one year only	(77)

Other adjustments	
Reinstate Capital Expenditure from the Revenue Account.	452
Extend reduction in Capital Expenditure from the Revenue Account, one year only.	(452)
Changes to Corporate Contingency.	(105)
TOTAL	192

- 6.6.2 The temporary arrangements for the management and control of projects were due to end in March 2020 and the report to Fire Authority in September 2019 showed the budget provision for the PMO being removed from the base budget. It has subsequently been agreed by SLT to make the arrangements permanent at a cost equal to the cessation.
- 6.6.3 Principal Officers Appointments Panel, since September 2019, agreed a number of changes to the terms and conditions of senior officers. The costs have been built into the base budget.
- 6.6.4 The previous assumed reductions in the FireLink and New Dimensions grants, reflecting the long held assumptions in reduction in Government funding, have been revised following the consultation on the one-year settlement. The reductions commence again in 2021/22 and the duration of the MTFP.
- 6.6.5 At the Employers Forum on 29 November 2019 it was confirmed that the East Sussex Pension Fund is at its strongest position for many years. As a result of the triennial valuation which saw the funding level overall at 107% reductions in employer's contribution rates of 0.5% pa over the next four years are proposed, against our planning assumption of increases of 0.5% per annum. The Authority will continue to pay an additional 0.75% contribution to manage the impact of pension strain. The MTFP has been updated accordingly.
- 6.6.6 The pressure from the introduction of the Pay and Grading review which has been calculated from a zero base on Support Staff salary budget as part of the budget setting process. This primarily reflects to impact of incremental salary progression.
- 6.6.7 The move to the East Sussex only mobilising service (East Sussex Fire Control) has been included as a commitment. This covers exit project costs of £77,000 and the increased cost of the interim service where loss of economies of a joint control have introduced a pressure of £546,000 for 2020/21 which is £46,000 higher than originally forecast. The funding, from General Fund and earmarked reserves, is also higher as a result.
- 6.7 **Efficiency Strategy and Planned Savings**
- 6.7.1 Since 2010/11 and to the end of this MTFP, the Authority has made, and has planned to make, savings totalling £9.809m of which £9.158m will have been delivered by the end of 2019/20. The MTFP includes savings of £0.396m for

2020/21 and savings of £0.651m over the duration of the MTFP. These are shown in table 5 below:

Table 5: Savings

Description	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £,000
Management Restructure	(5)	0	0	0	0	(5)
Engineering - cutting equipment purchased early (1 year only)	(60)	60	0	0	0	0
PPE & Workwear	(91)	0	0	0	0	(91)
FBU post	(20)	0	0	0	0	(20)
Going digital on CFA agendas implementation of Modern.Gov	(3)	0	0	0	0	(3)
Reduction in administration costs in Safer Communities	(25)	(25)	0	0	0	(50)
Use of BR Pooling to support service delivery	(50)	50	0	0	0	0
Estates Strategy revenue maintenance savings.	(20)	(40)	(60)	(120)	(120)	(360)
Business Rates overstated pressure.	(67)	0	0	0	0	(67)
FPS administration moving to West Yorkshire Pension Fund	(24)	0	0	0	0	(24)
Webex savings from each directorate.	(12)	0	0	0	0	(12)
Primary Authority income target	(19)	0	0	0	0	(19)
	(396)	45	(60)	(120)	(120)	(651)

6.7.2 The Authority has agreed to adopt a more strategic approach to delivering efficiencies that moves beyond previous approaches that had focussed on delivering savings necessary to balance the revenue budget. An update was provided to Policy and Resources Panel in November 2018 and concluded that:

- Good progress is being made but the work is still at a relatively early stage and this is reflected in the level of efficiencies identified so far
- Further work is required to identify and deliver a greater return on investment and specifically an increase in the level of cashable efficiencies delivered. SLT is committed to doing this as the Efficiency Strategy, and the activities within it are further developed and matured for example once the impact of enhancements to FireWatch and CRM is clearer
- The ORR / IRMP will assess the level of resource required to meet changing risk in the communities we serve, and provides a key opportunity to identify efficiencies from the operational services that form the majority of the Authority's Revenue Budget.

6.7.3 We have already mapped efficiency opportunities over the next five years (see table 6). This indicates that for timing reasons material efficiency opportunities will start to come on stream from 2021/22 onwards. Thus far the value of new efficiencies identified and included in the MTFP is £403,000 (this excludes IT savings netted off against the pressure shown in table 4 and one off savings in CERA in 2020/21).

Table 6: Potential Cashable Efficiencies

Service Area	Description	2020/21	2021/22	2022/23	2023/24	2024/25
		£'000	£'000	£'000	£'000	£'000
Income Generation	Income Generation - Primary Authority	19	19	19	19	19
Other	New Dimensions / CERA (20/21 only)	452				
Support Services	Estates Strategy	20	40	120	240	360
Support Services	Firefighter Pension Scheme Administration	24	24	24	24	24
Total already included in the MTFP		515	83	163	283	403
Improvement & Efficiency	Firewatch		25	25	25	25
Income Generation	Alternative Delivery Models / Charitable arm					
Income Generation	Growth / S106 / CIL					
IRMP	Demand Management					
IRMP	Mobilising Strategy					
IRMP	Operational Response Review					
IT Strategy	Business Intelligence					
IT Strategy	CRM		23	23	23	23
IT Strategy	EDRMS / Office365					
IT Strategy	Hydrant Management		5	5	5	5
Procurement	Procurement Category Plans					
Strategy Reviews	Fleet & Equipment Strategy					
Support Services	Administration Review					
Support Services	Insurance - CCTV on fleet		20	20	20	20
Support Services	Communications Peer Review					
Support Services	HR Business Process Re-engineering					
Support Services	Strategic Review of Training					
Support Services	Support Services - Integrated Transport Function - Shared Service					
Total potential cashable efficiencies identified		0	73	73	73	73

7. CAPITAL PROGRAMME

- 7.1 The Medium Term Capital Asset Strategy (CAS) has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton and Hove. The CAS has been updated to reflect the roll forward of existing policies but also the impact of the re-phasing of the Estates Strategy for delivery over eight years in total rather than six as originally planned and the revisions to the profile of the fleet replacement. The investment in our facilities to achieve the standard set out in the design guide is expected to cost £2.333m over the life of the CAS. The CAS no longer includes the £1.008m for the replacement of New Dimensions assets whose original purchase was funded by central government.
- 7.2 With the one-off use of capital receipt from the sale of Service Houses and the old Headquarters being consumed the Authority will, by the end of 2021/22, be in a position where new borrowing will be required. The Treasury Strategy will carefully consider the options, the Authority can use its own cash balances to smooth demand and borrow in a timely fashion. The MTFP includes the cost of financing capital expenditure with a decrease in 2021/22 as some external debt is paid off and increases of £17,000 in 2022/23, £56,000 in 2023/24 and £194,000 in 2024/25 as debts mature and are paid off but new borrowing is required. At 31 March 2020 the Authority's debt will be £10.773m and is forecast to stand at £15.691m by the end of the MTFP.

Table 7: Change in Capital Investment 2018/19 to 2023/24

	Total resource	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21 Strategy							
Fleet	13,939	2,648	3,333	2,490	2,139	3,329	1,808
Property	10,723	834	2,599	4,756	1,545	989	1,362
IMD	0	0	0	0	0	0	0
Total Cost	24,662	3,482	5,932	7,246	3,684	4,318	3,170
2019/20 Strategy							
Fleet	13,354	3,353	2,721	2,138	1,759	3,383	
Property	12,934	3,375	4,633	1,683	1,559	1,684	
IMD	0	0	0	0	0	0	
Total Cost	26,288	6,728	7,354	3,821	3,318	5,067	
Increase / (Decrease) in planned spend							
Fleet	585	(705)	612	352	380	(54)	
Property	(2,211)	(2,541)	(2,034)	3,073	(14)	(695)	
IMD	0	0	0	0	0	0	
Total Increase / (Decrease)	(1,626)	(3,246)	(1,422)	3,425	366	(749)	

8. RESERVES & BALANCES

- 8.1 Reserves are an essential part of good financial management. They help authorities cope with unpredictable financial pressures and plan for their future spending commitments.
- 8.2 The Authority's Reserves Strategy is set out in Appendix E and sets out how the adequacy of the level of General Reserves has been assessed and the details of the level and purpose of the Authority's Earmarked Reserves. The format reflects the template developed by the NFCC Finance Co-ordination Committee to promote greater consistency across the sector.
- 8.3 The Authority holds a number of earmarked reserves to support the delivery of a number of projects, including joint funding of the installation of sprinklers, incident ground radios and wholtime firefighter recruitment as well as where the Authority is the Accountable Body for the regional Emergency Service Mobile Communications Programme grant. These are all planned to be consumed in the next year or two as these projects are delivered. The Improvement and Efficiency earmarked reserve is used to support various projects and will be bolstered in 2020/21 by £500,000 in order to support continued invest to save and efficiency

initiatives, including any potential investment required to deliver the outcomes from the ORR. The Business Rates Retention earmarked reserve as well as part of the General Balances will be used to support the SCC Exit and Project 21 projects as well as other minor projects as previously agreed.

- 8.4 The Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The Strategy proposes a reduction in the minimum level of General Reserves from 6% to 5% of net revenue budget. The detailed risk assessment in Annexe A sets out the basis for this recommendation. The National Fire Framework requires authorities to explain the reasons for holding general balances above 5%. A review of the NFCC's Survey of Fire Reserves indicates that the average level of General Reserves held will reduce from 7.0% (31/03/2019) to 5.6% (31/03/2020) and then below 5% by the end of 2022/23. The level of General Reserves held also reflects the current uncertainty about Fire Sector funding beyond 2019/20. A summary of the forecast year end reserves and balances position is set out in table 8 below.

TABLE 8: Summary of Forecast Reserves

	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	5,261	5,761	1,504	0	0	0
Other Earmarked Reserves	5,456	1,655	663	653	653	653
Total Earmarked Reserves	10,717	7,416	2,167	653	653	653
General Fund	1,959	1,862	1,862	1,862	1,862	1,862
Capital Reserves	7,133	2,009	0	0	0	0
Total Useable Reserves	19,809	11,287	4,029	2,515	2,515	2,515

9. CHIEF FINANCE OFFICER STATEMENT

- 9.1 In the view of the Treasurer in line with the requirements set out in Section 25 of the Local Government Act 2003, the estimates used for the purposes of calculating the budget, revenue and capital, have been produced in a robust and transparent way and the proposed financial reserves are consistent with Fire Authority policy and are prudent and necessary. Given the continuing reductions in funding for public services, the uncertainty around funding after 2020/21, the risks set out in this report and the nature of its business as an emergency service, the Authority needs to recognise that risks, financial and otherwise, and their consequent impact on the budget and reserves, may change during the year and will need to be continually monitored and reviewed in line with the Authority's policies.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 Following the introduction of the Equality Act 2010 the Authority must, in the exercise of its functions, including the setting of its Revenue Budget and the taking of decisions on savings proposals, have due regard to its duties under the Act and in relation to certain protected characteristics. This means that Members must understand the consequences of the decisions they take for those with the relevant protected characteristics and consider these proportionately alongside other relevant factors.
- 10.2 All the new savings identified in the 2020/21 budget are non-operational except for the savings achieved from the new of the Personal Protective Equipment (PPE) Contract. A high level assessment has been completed and is available from the Clerks should Members wish to review it prior to approving the revenue budget. The assessment has considered both the investment and savings proposals with no identification of negative impacts from the savings proposals however some advantages can be seen from the investment in the property portfolio through the Estates Strategy and Design Guide.

MEDIUM TERM FINANCIAL PLAN 2019/20 - 2024/25

Mid case scenario – 5% per annum reduction in SFA 2021/22 onwards

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	40,201	41,737	42,479	43,199	43,935
Less					
Specific grants	(1,740)	(1,713)	(1,688)	(1,666)	(1,646)
Other income	(602)	(1,988)	(2,028)	(2,068)	(2,110)
Total income	(2,342)	(3,701)	(3,716)	(3,734)	(3,756)
Net Service Budget	37,859	38,036	38,763	39,465	40,179
Capital financing costs less interest receivable	852	836	853	909	1,103
Capital expenditure from the Revenue Account	0	452	452	452	452
Transferred from reserves	(673)	0	0	0	0
Transferred to reserves	1,549	1,065	1,092	1,092	1,092
Total Net Expenditure	39,587	40,389	41,160	41,918	42,826
Net Budget brought forward	39,037	39,587	40,389	41,160	41,918
Unavoidable cost pressures					
Pay inflation	585	584	609	620	632
Price inflation	169	201	178	180	182
Total inflation	754	785	787	800	814
Changes in Capital Financing	0	(16)	17	56	194
Budget commitments	192	(12)	27	22	20
Savings approved	(396)	45	(60)	(120)	(120)
Total Net Expenditure	39,587	40,389	41,160	41,918	42,826

Appendix A continued

Sources of Funding	2020/21	2021/22	2022/23	2023/24	2023/24
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,508				
Business Rate Top Up	5,170				
Business Rates Baseline	7,678				
Revenue Support Grant	3,208				
Settlement Funding Assessment	10,886	10,342	9,825	9,334	8,867
Section 31 Grant Business Rates adjustment	668	0	0	0	0
Council Tax Collection Fund (Deficit) / Surplus	0	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	0	0	0	0	0
Council Tax Requirement	28,033	28,876	29,746	30,642	31,565
Total Resources Available	39,587	39,218	39,571	39,976	40,432
Additional Savings Required / (surplus)	0	1,171	1,589	1,942	2,394

Worst case scenario - 7.5% per annum reduction in SFA from 2021/22 onwards

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Spending assessment reduction 7.5%	0	1,443	2,099	2,660	3,291

Best case scenario - flat cash from (no change in SFA) from 2021/22 onwards

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Spending assessment flat	0	627	528	390	375

Revenue Budget Subjective Summary

	2019/20 Original Estimate £'000	2020/21 Original Estimate £'000
Salaries, Allowances and On-costs	29,628	29,551
Training Expenses	545	586
Other Employees Costs	68	45
Employee Costs	30,241	30,182
Repair, Maintenance and Other Costs	911	1,261
Utility Costs	1,448	1,233
Premises Costs	2,359	2,494
Vehicle Repairs and Running costs	1,003	979
Travel Allowances and Expenses	136	124
Transport Costs	1,139	1,103
Equipment and Supplies	1,194	1,046
Fees and Services	3,454	3,309
Communications and Computing	1,431	1,837
Other Supplies and Services	407	290
Supplies and Services	6,486	6,482
Sums set aside from revenue	431	431
Interest Payments	496	496
Capital Financing	927	927
Grants and Contributions	(2,196)	(2,041)
Interest Received	(75)	(75)
Other Income	(1,527)	(361)
Income	(3,798)	(2,477)
Transfers from reserves	0	(673)
Transfers to reserves	1,683	1,549
Total Net Expenditure	39,037	39,587
Financed By:		
Council Tax	(27,215)	(28,033)
Business Rates	(11,346)	(7,678)
Revenue Support Grant	0	(3,208)
S31 Grants	(375)	(668)
Collection Fund Surplus/Deficit Council Tax	(101)	0
Total Funding	(39,037)	(39,587)

Revenue Budget Objective Summary

	2019/20 Original Estimate £'000	2020/21 Original Estimate £'000
Peoples Services	3,499	3,603
Resources/Treasurer	7,100	7,486
Planning and Improvement	1,322	1,285
Total Deputy Chief Fire Officer	11,921	12,374
Safer Communities	20,563	21,015
Operational Support	3,670	4,338
Total Assistant Chief Fire Officer	24,233	25,353
CFO Staff	656	706
Treasury Management	856	856
Non delegated costs	(818)	(1,048)
Corporate Contingency	506	470
Transfers from Reserves	0	(673)
Transfers to Reserves	1,683	1,549
Total Corporate	2,883	1,860
Total Net Expenditure	39,037	39,587

Fees and Charges

with effect from 1 April 2020

Fee	Existing Fees	New Fees
	2019/20 £	2020/21 £
The hiring of a major pumping appliance with crew per hour	298	304
The hiring of other pumping vehicles with crew per hour	240	245
The hire of hydraulic platforms or turntable ladders with crew per hour	322	329
Large animal rescue per hour	298	304
Dry Riser (subsequent test at the owner's request):		
First Dry Riser	223	228
Additional Dry Risers	146	149
Interviews: *		
- Insurance co. etc.	146	149
- After two hours	95	97
Copy of Petroleum Licences *	36	37
Copy plans *	41	42
Standby at Venue	298	304
Fire Investigation Report	320	327
Chemical Protection Suit	167	171
Commercial Training Customers Site (per session up to 20 delegates):		
- Fire Marshal / Warden training (4 hours)	599	599
- Fire Extinguisher training (3 hours)	599	599
- Fire Awareness (3 hours)	599	599
Commercial Training One day course (per delegate)	183	187
Commercial Training Fire Safety at work (1 day, per delegate)	175	179
Commercial Training Fire Talk (without practical, 1 to 3 hours)	350	350
Inspection of Plans for Marriage Act 1994 *	123	126
Environmental search fees *	115	118

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

MEDIUM TERM CAPITAL STRATEGY 2019/20 to 2024/25

Overview

The Medium Term Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton & Hove. Where decisions have already been taken to change the service, which have capital investment implications, these are reflected in this strategy. The Strategy reflects the interim review of the Fleet & Equipment Strategy (a full revision is planned following the conclusion of the ORR) and the re-phasing of the Estates Strategy, approved by Estates Strategy Delivery Board, which reflects a more realistic timescale for what is the biggest investment in our estate for decades.

The main areas covered within the strategy are summarised below.

Estates Strategy – General Schemes

This Strategy seeks to achieve property maintenance and improvements as identified by the most recent condition surveys undertaken in 2018 as part of the review of the Estates Strategy. This informs us of the overall cost prioritisation of work and ensures that the building stock can be sustained in effective working order on a long term basis. It also reflects the capacity of the Estates Team to deliver the required day-to-day services effectively. This includes the Estates related costs of the investment in our station end IT equipment and investment in excess of £1m in the Fire Training Units at Service Training Centre.

Estates Strategy – Investment Schemes

These Schemes reflect the improvements necessary to deliver the standards set out in the Design Guide across our estate (including STC but excluding Shared Investment Schemes shown below). They reflect the condition surveys carried out in 2018 and the overall cost includes a contingency of c15% and provision for inflation for the last three years of the Strategy.

Estates Strategy – Strategic Schemes

This part of the Strategy includes key strategic schemes to improve security and renewables across the whole estate and also to deliver upgrades to fuel tanks. The latter project is part of the Integrated Transport Project and following the approval of an updated business case is part funded by Fire Transformation Grant held by Surrey CC on behalf of the ITF and a partner contribution from Sussex Police.

Estates Strategy – Shared Investment Schemes

The Authority has a programme of property schemes which involve shared investment with partners either through the One Public Estates Programme (East Sussex and Greater Brighton) and the Integrated Transport Function (ITF). This includes major refurbishments to existing sites and new build projects and these are summarised below:

- **Integrated Transport Function (ITF) – South Eastern Hub Workshop** – the ITF, part of the wider Emergency Services Collaboration Project (ESCP), has identified the need for a new workshop site in the South East of the Surrey / Sussex area. This was originally planned as a partnership between ESFRS and Sussex Police on a site near Bexhill but initial feasibility studies have confirmed that the proposal was unaffordable and Sussex police have subsequently withdrawn from the project. The Authority is working with SECamb to assess the feasibility of a joint facility in Polegate but this is at an early stage. Should the project progress, some capital funding would be available from the Fire Transformation Grant awarded in 2015/16 to the fire partners in the ESCP. At this stage, an indicative sum of £1m for this Authority's contribution is included.
- **Preston Circus Fire Station**– this station is the Authority's main asset in the City and we have determined that redevelopment of a modern, fit-for-purpose facility on the existing site is our preferred option. The project has been signed off at RIBA Stage 2 and is currently being mobilised. Our preferred option for the surplus space on site is for this to be redeveloped as part of the project and let on a commercial basis. This will require additional investment in the project and a proposal will be brought once we have more certainty on the deliverability within with current scheme budget. Works are expected to commence on site during 2020/21.
- **Lewes Fire Station** – the current Lewes Fire Station site forms part of the planned North Street Quarter redevelopment. As part of the redevelopment it is proposed that Lewes District Council provide a new fire station as part of an emergency services hub at the rear of the current North Street Police Station and the adjacent Springman House site. Discussions are continuing and in principle the project should be at no cost to the Authority, at this stage a budget of £250,000 has been included to cover internal project management and other costs. A paper setting out the final proposals and seeking required approvals is expected in spring 2020.
- **Uckfield and Heathfield** – OPE projects to bring Sussex Police and SECamb onto the existing fire station sites in Uckfield and Heathfield have been approved. The majority of the cost will be borne by the partners with the Authority's contributions budgeted at £100,000 and £50,000 respectively. The project proposals are being revisited following the announcement nationally of increases in police numbers which will change Sussex Police's space requirements.

Information Technology Strategy

The SCC project is currently the only IT capital scheme within this strategy and is expected to be completed by the end of 2019/20. The IT Strategy has been prepared covering the period 2017-2022 however at this stage none of the Strategy has been identified as Capital Expenditure. As more detail of Strategy item proposals are identified the classification will be kept under review and, if required approval to amend this Strategy will be sought in due course.

Fleet and Equipment Strategy

The Authority has a rolling programme of replacing its vehicle fleet in line with its agreed lifing policy. This encompasses fire appliances (approximately three each year), aerial appliances, ancillary vehicles and the light fleet (cars and vans). An interim review of the fleet replacement programme was carried out in 2018/19 and reduced the total number of appliances required by three. Plans to pilot small and medium rescue pumps in 2019/20 as part of a move from a single type of pumping appliance to a more flexible fleet have been paused pending the outcomes of the ORR. A full scale review of the Fleet and Equipment Strategy will follow in 2020/21. The main amendments to this part of the CAS are to reflect slippage of projects planned for delivery in 2019/20 and the impact of an expected 20% tariff on chassis for major appliances following the UK's departure from the EU.

The Authority has taken on the national resilience assets and receives a New Burdens grant for their maintenance. Future requirements for these assets once they reach end of life in 2022/23 is being reviewed nationally by the NFCC and the Home Office. Funding for replacement of these assets on a like for like basis has been removed from the capital strategy reducing costs overall by £1,008,000. Once the outcome of the review is known and the Government confirms funding for new assets a review of local need for any assets where replacement is not funded by Government will be carried out.

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

Detailed strategies for Estates, ITG and Fleet and Engineering are available as separate documents.

Funding

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

- **Capital Grant**

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

- **Partner Contributions**

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

- **Capital Receipts**

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The Government did offer flexibilities for capital receipts generated between 2016/19, to be used to fund the revenue costs of transformation projects, however, given the Authority's position in terms of both funding of the capital programme (primarily through capital receipts) and the availability of one off revenue finance through its Reserves, the offer was not pursued. Historic capital receipts from the sale of service houses and 20 Upperton Road along with the expected sale of the former Newhaven Fire Station in Fort Road (estimated at £0.515m in 2019/20) will be used to fund the Capital Strategy. As at 31 March 2020 it is estimated that there will be unapplied capital receipts of £7.133m (Capital Receipts Reserve). It is the Authority's current policy to use capital receipts to fund the capital programme before using the Capital Programme Reserve (which is a revenue reserve).

- **Revenue Contributions**

The Authority can make revenue contributions to the cost of its capital expenditure either direct from its revenue budget or from reserves earmarked for capital schemes. As at 31 March 2020 it is estimated that there will be a balance of £5.261m in the Capital Programme Reserve (CPR). A revenue contribution to the CPR of £0.5m is included in the base budget annually. The Authority takes the opportunity to set aside additional funding from its revenue budget to help fund the costs of the Capital Programme when it can, in the absence of Government grant. No additional contribution is planned in 2020/21 but additional contributions are planned to resume thereafter.

- **Prudential Borrowing**

The Authority can use prudential borrowing to fund capital expenditure spreading the cost over the life of the asset. Overall our total borrowing must be sustainable and affordable. Borrowing commits the Authority to a long term cost which has implications for our revenue budget. Broadly speaking, every £1m of additional borrowing would add £85,000 of financing costs to the Authority's revenue budget. As capital related reserves are spent down to fund the Capital Strategy, the Authority will need to consider recommencing borrowing and the MTFP currently reflects the revenue impacts from 2022/23.

**MEDIUM TERM CAPITAL STRATEGY 2019/20 to 2024/25
SCHEME SUMMARY AND FUNDING**

Capital Programme Expenditure									
	Total Budget	Total Previous Year's Spend	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property									
Shared Investment Schemes									
Integrated Transport Project	1,000			100	800	100			1,000
- Partner contribution									
Integrated Transport Project net cost	1,000	0	0	100	800	100	0	0	1,000
One Public Estate									
- Heathfield	50		10	40					50
- Partner contribution									
- Heathfield net cost	50	0	10	40	0	0	0	0	50
- Lewes	920		20	100	700	100			920
- Partner contribution	(670)				(570)	(100)			(670)
- Lewes net cost	250	0	20	100	130	0	0	0	250
- Preston Circus	3,138	19	150	750	2,000	219			3,119
- Partner contribution									
- Preston Circus net cost	3,138	19	150	750	2,000	219	0	0	3,119
- Uckfield	100		10	60	30				100
- Partner contribution									
- Uckfield net cost	100	0	10	60	30	0	0	0	100

Total Shared Investment Schemes	4,538	19	190	1,050	2,960	319	0	0	4,519
Strategic Schemes									
- Replacement Fuel Tanks	552	2	220	330					550
- Partner contribution	(330)			(330)					(330)
- Replacement fuel tanks net cost	222	2	220	0	0	0	0	0	220
Design Guide Schemes	2,353	20	20	30	492	768	477	546	2,333
BA Chambers works	405	399	6						6
Sustainability	417	21	20	320		7	21	28	396
Security	134				70	22	18	24	134
Total Strategic Schemes	3,531	442	266	350	562	797	516	598	3,089
General Schemes									
General Schemes	4,709	232	378	1,199	1,234	429	473	764	4,477
Total Property									
Total Property	12,778	693	834	2,599	4,756	1,545	989	1,362	12,085
Information Management									
- Sussex Control Centre	1,643	1,606	37						37
- Grant funds	(1,643)	(1,606)	(37)						(37)
Sussex Control Centre net cost	0	0	0	0	0	0	0	0	0
Fleet and Equipment									
- Vehicle cameras	118			118					118
- Grants funds	(118)			(118)					(118)
- Vehicle cameras net cost	0	0	0	0	0	0	0	0	0
- BA & Ancillary Equipment	1,118	681	437						437
- grant funds	(10)		(10)						(10)
- BA & Ancillary Equipment Net cost	1,108	681	427	0	0	0	0	0	427
Aerial Rescue Ladder	1,551		500	200			851		1,551

Aerial Rescue Pump	25		25						25
Fire Appliances	8,857	4	1,027	1,986	1,488	1,389	2,006	957	8,853
Ancillary Vehicles	2,899		516	733	588	368	310	383	2,898
Cars	1,248	100	12	226	328	339	64	180	1,149
Vans	1,349	576	141	118	86	43	98	288	774
Telemetry	70			70					70
Total Fleet and Equipment	17,107	1,361	2,648	3,333	2,490	2,139	3,329	1,808	15,747
Total Expenditure	29,885	2,054	3,482	5,932	7,246	3,684	4,318	3,170	27,832

CAPITAL ASSET STRATEGY FUNDING

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Funding Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Useable Reserves							
Capital Receipts Reserve	2,859	5,124	2,009				9,992
Capital Programme Reserve			4,757	2,004	500	500	7,761
Breathing Apparatus Reserve	192						192
Sub total	3,051	5,124	6,766	2,004	500	500	17,945
Revenue Contributions	0	452	452	452	452	452	2,260
New Borrowing	0	0	0	1,297	3,321	2,059	6,677
Internal Borrowing	431	356	28	(69)	45	159	950
Total funding	3,482	5,932	7,246	3,684	4,318	3,170	27,832

USE OF RESERVES

Funding – Use of Reserves						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Reserve						
Opening Balance	9,477	7,133	2,009	0	0	0
Transfers In	515	0	0	0	0	0
Transfers Out	2,859	5,124	2,009	0	0	0
Closing Balance	7,133	2,009	0	0	0	0
Capital Programme Reserve						
Opening Balance	4,761	5,261	5,761	1,504	0	0
Transfers In	500	500	500	500	500	500
Transfers Out	0	0	4,757	2,004	500	500
Closing Balance	5,261	5,761	1,504	0	0	0
Breathing Apparatus Reserve						
Opening Balance	192	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	192	0	0	0	0	0
Closing Balance	0	0	0	0	0	0

Reserve Strategy

Introduction and Background

Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.

Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The Reserves Strategy can form part of the Medium Term Financial Plan or be a stand-alone document.

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

Strategic Context

There are a number of reasons why a Local Authority might hold reserves, these include to:-

- (a) Mitigate potential future risks such as increased demand and costs;
- (b) Help absorb the costs of future liabilities;
- (c) Temporarily plug a funding gap should resources be reduced suddenly;
- (d) Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on council tax;
- (e) Spread the cost of large scale projects which span a number of years.

Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

Long-Term Sustainability - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant uncertainty about its grant funding over the medium term. Due to the fact that funding for future Capital Projects and the IT Strategy is held as Earmarked Reserves, the overall level

of reserves held by the Authority is currently still high, but will reduce significantly as these programmes are delivered.

Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

There are two different types of reserve, and these are

Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

In addition to reserves the Authority may also hold provisions which can be defined as: a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

Unusable Reserves

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

Governance

The Authority will agree the level of General Reserves and the purpose and level of Earmarked Reserves.

Business cases for the establishment of new Earmarked Reserves will be subject to initial consideration by the Senior Leadership Team.

The Assistant Director Resources / Treasurer shall advise SLT and the Authority on the adequacy of both General and Earmarked Reserves, approve any drawdown from reserves and will monitor and report upon their use through regular financial monitoring reports.

Risk Assessment to Determine the Adequacy of the General Reserve

A well-managed multipurpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, the Authority has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.

The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government

departments have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for.

The Authority currently sets its policy for the General Reserve at a minimum of 6% of its net revenue budget. Following a review as part of the budget setting process it is proposed that this is reduced to a minimum of 5%. The detailed risk assessment is attached at Annexe A and indicates that the overall assessed risk has reduced slightly since last year. Given that not all assessed risks are likely to crystallise in a single year it is deemed appropriate and to move to a lower minimum level of 5%. This aligns the Authority's General Reserves with the threshold set out in the National Fire Framework. A review of the NFCC's Survey of Fire Reserves indicates that the average level of General Reserves held will reduce from 7.0% (31/03/2019) to 5.6% (31/03/2020) and then below 5% by the end of 2022/23. The level of General Reserves held also reflects the current uncertainty about Fire Sector funding beyond 2020/21.

At the start of 2020/21, the General Reserve is forecast to represent 4.954% of the Authority's net revenue budget which is a small negative variance. Due to varying revenue budgets, maintaining a consistent level of General Reserve will result in the percentage varying over time. Transfers in or out of the General Reserve to conform to the 5% indicator would only be considered if there was significant variance or if resources were earmarked to another project.

The prudential indicator is a useful control measure but is a rudimentary way of assessing the adequacy of the general reserve and a more meaningful approach is to develop a risk assessment. The Authority will consider both measures as part of its annual reserve strategy.

A risk assessment of the adequacy of the Authority's General Reserve is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment for the coming financial year, 2020-21, has been prepared as part of the budget setting process and is shown in Annexe A. The impact and scale of potential losses has been estimated to calculate a potential net financial impact of £2.300m. The proposed policy minimum of 5% equates to £1.977m. At the start of 2020/21 the General Reserve is expected to be £1.959m and it is planned to reduce by a further £0.097m by 31 March 2021. The Authority will need to consider options to bring the Reserve up to its policy minimum over the next financial year.

Annual Review of Earmarked Reserves

The Authority has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the Authority is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy. When the Authority endorses the Reserves Strategy for publication it will be made available on its website.

A commentary on the purpose and planned use of each of the existing earmarked reserves is detailed below and a full listing together with phasing of drawdown is set out in Annexe B:

- **Improvement & Efficiency:** This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver efficiencies and respond to priority areas for service improvement. This includes support for the Authority's transformation programme and any costs that may arise from it including redundancy payments. Collaborative projects are also being progressed with a number of potential partners, many of which may require proportionate pump priming funding to realise future financial savings for all partners involved. The forecast balance of £0.118m at 1 April 2020 is fully committed for example FireWatch Implementation, 3F collaboration and the IECR pilot. As part of the 2020/21 budget it is proposed to transfer an additional £0.5m into this reserve to provide for further investment in driving efficiencies.
- **Insurance:** The Authority has joined the Fire and Rescue Indemnity Company (FRIC) from 1 April 2019 to both improve its risk management practice and provide insurance cover. This reserve is intended to cover the financial costs of: in year supplementary payments to the FRIC pool should these be necessary; additional costs from the increase in some deductibles; and, investment in pro-active risk management initiatives resulting from best practice benchmarking through FRIC.
- **Mobilising Strategy Reserve (formerly SCC Reserve):** to facilitate to delivery of the Authority's mobilising strategy – this has included the Exit of WSCC from the joint control room, the development of Project 21 proposals and Phase 2 of the implementation of Remsdaq 4i (our current mobilising system. The current assumption is that this reserve will be expended by 31/03/20 but if not it will be project slippage and and balance will be drawn down in 2020/21.
- **Capital Programme:** To support the provision of the capital infrastructure required to deliver the Authority's strategic priorities. There has been no core capital grant from Government since 2014/15 so the Authority must fund its own investment in capital assets. £0.5m each year is paid into this reserve from the Authority's revenue budget. As a result of the planned investment in the IT Strategy and the Estates Strategy it is forecast that this reserve will be exhausted before the end of the current planning period.
- **Capital Receipts:** Capital receipts not yet applied to capital expenditure. Under statute capital receipts may only be used to finance capital expenditure. Having disposed of its stock of service houses and its HQ building the Authority has only one surplus property, Fort Road, Newhaven and this is due for disposal in 2019/20. No further disposals are currently planned and this reserve will be fully utilised over the life of the current Capital Asset Strategy, with the balance remaining at 31 March 2020 primarily being used to fund investment in the new Estates Strategy to bring our property assets up to the standard set out in the Design Guide.

Together the use of the Capital Programme Reserve and the Capital Receipts Reserve, along with other revenue funding, grants and contributions from partners has meant that the Authority has been able to finance its capital investment requirements without recourse to external borrowing since 2008.

- Sprinklers: as part of its policy of promoting the use of sprinklers the Authority has made provision for match-funding the retro-fitting of sprinklers in high risk / high rise residential premises. Two projects are currently underway, St. James House and Essex Place, and further plans are in the pipeline.
- Business Rate Pool (formerly Safer Business Training): This reserve holds the balance of income from the East Sussex Business Rate Pool which is to be used to fund Business Safety initiatives, in support of the Pool's aim to promote economic growth
- IT Strategy: The Authority has set aside funds to support the delivery of its IT Strategy including the contractual transformation milestones delivered by telent. This Reserve will be fully utilised by the end of 2021/22 however the base budget includes a contribution to this earmarked reserve of circa £450,000 per year which is expected to be wholly used in each year.
- ESMCP Readiness: this is grant funding from central government to fund the IT upgrades to the Sussex Control Centre that are required as part of the ESMCP. The timing of drawdown is dependent on national programme timescales and decisions about Project 21. Further discussion with the Home Office will be required to determine use of the grant as it was originally intended to fund improvements jointly for East and West Sussex through our joint control service which ended 4 December 2019.
- ESMCP Regional Programme: the Authority acts as regional lead for ESCMP implementation and holds grant funding for regional and local resourcing on behalf partner FRAs. The actual drawdown will depend on national decisions on roll out due to be concluded in 2020.
- Wholetime Firefighter Recruitment Reserve: the 2016/17 revenue budget underspend was set aside in this reserve to fund the additional costs of the planned recruitment of 32 new Wholetime Firefighters over the period 2017/18 to 2019/20. The phasing of the use of this reserve will be reviewed in the light of updated workforce planning information.
- Business Rates Retention Pilot: holds the additional income from the East Sussex Pilot and will be split between financial stability and economic development as set out in the Memorandum of Agreement with other partners. Following the decision of the Fire Authority in July 2019 the financial stability element (£0.480m) will be used to fund SCC related costs.

Annexe A – Risk Assessment of the Adequacy of General Reserves

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	£m
Abnormal weather conditions	A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs (retained pay, overtime) and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support qualifying expenditure in excess of 2% of Revenue Budget	Medium	0.300	0.150
Pension Costs	With an ageing workforce and the increase in the normal retirement age the risk of ill health retirements is increasing and may exceed the existing budget provision.	Medium	0.100	0.050
External contracts	The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. The Authority maintains a bad debt provision based on aged debtor analysis but it would be insufficient to fully fund a loss from a major contract. Additionally, Public Sector procurement processes and contracts are coming under increasing scrutiny and could be open to legal challenge.	Low	0.500	0.125
Capital Programme / Projects	The Authority has a range of both revenue and capital projects planned for the next five years - there is the risk of cost overruns for a variety of reasons e.g. unforeseen ground conditions, planning approvals, technology risk	Low	1.000	0.250

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	£m
Loss of income	Income targets are set within the budget for a number of functions, for example commercial and service training, and the Authority also receives income from the investment of its cash balances where rates achieved remain low and may be pushed lower by UK's exit from the EU. Amounts invested will reduce significantly over the next few years. Although the amounts involved are small relative to the overall budget they continue to present a risk in year	Low	0.250	0.063
Provision of services	The Authority no longer has delegated responsibility for the delivery of mobilisation and control functions for West Sussex Fire and Rescue Service under a S16 agreement and therefore this risk has reduced significantly. Failure to provide the service to the agreed performance levels could result in additional costs for the Authority	Low	0.250	0.063
Delivery of savings	The Authority is developing its savings plans for the next 5 years and has already agreed a range of measures for implementation. However, it is possible that implementation may take longer than anticipated or savings may be less than originally estimated, leading to an in-year budget pressure. However for 2020/21 the savings target is relatively small	Low	0.500	0.125
Legal Issues	As a service provider and an employer the Authority faces the potential that legal action could be taken against it on a range of grounds, including equal pay, discrimination, unfair dismissal and corporate negligence / manslaughter. Awards and legal costs in such cases can be significant	Low	1.000	0.250

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	£m
Service delivery failure	Given the nature of the work of the Authority there is a possibility that it could suffer a major health and safety or environmental failure.	Low	1.000	0.250
System/ Infrastructure Issues	In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required within short time constraints.	Low	0.500	0.125
Funding Issues	The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority.	Medium	0.500	0.250
Inflation	Whilst allowances for inflation have been made within specific budget lines, the uncertainty surrounding Brexit and the UK economy might lead to increased inflation.	Medium	0.200	0.100
Employment Issues	Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. Prolonged Action or issues would require funding from Reserves. This risk also addresses the potential for actual pay awards to be higher than that budgeted.	Medium	1.000	0.500
Estimated Reserve Requirement				2.300

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

Description	2020/21	2020/21	2020/21	Projected Closing Balance				
	Opening Balance 01/04/20	Planned Transfers In	Planned Transfers Out	31/03/21	31/03/22	31/03/23	31/03/24	31/03/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves								
Improvement & Efficiency	118	500	(136)	482	464	454	454	454
Sprinklers	293	0	(293)	0	0	0	0	0
Insurance	249	0	0	249	249	249	249	249
ESMCP ESFRS readiness	1,425	0	(1,425)	0	0	0	0	0
ESMCP Regional Programme reserve	563	0	(259)	304	0	0	0	0
Safer Business Training	321	0	(155)	166	(50)	(50)	(50)	(50)
IT Strategy	1,937	549	(2,032)	454	0	0	0	0
Wholetime Firefighter recruitment	0	0	0	0	0	0	0	0
Mobilising Strategy	0	0	0	0	0	0	0	0
Business Rates Retention Pilot, financial stability	480	0	(480)	0	0	0	0	0
Business Rates Retention Pilot, economic development	70	0	(70)	0	0	0	0	0

Description	2020/21 Opening Balance 01/04/20 £'000	2020/21 Planned Transfers In £'000	2020/21 Planned Transfers Out £'000	Projected Closing Balance 31/03/21 £'000	Projected Closing Balance 31/03/22 £'000	Projected Closing Balance 31/03/23 £'000	Projected Closing Balance 31/03/24 £'000	Projected Closing Balance 31/03/25 £'000
Capital Programme Reserve	5,261	500	0	5,761	1,504	0	0	0
Total Earmarked Reserves	10,717	1,549	(4,850)	7,416	2,167	653	653	653
General Fund	1,959	0	(97)	1,862	1,862	1,862	1,862	1,862
Total Revenue Reserves	12,676	1,549	(4,947)	9,278	4,029	2,515	2,515	2,515
Capital Receipts Reserve	7,133	0	(5,124)	2,009	0	0	0	0
Total Capital Reserves	7,133	0	(5,124)	2,009	0	0	0	0
Total Usable Reserves	19,809	1,549	(10,071)	11,287	4,029	2,515	2,515	2,515

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2018/19
REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

	£	£
NET BUDGET REQUIREMENT		39,587,000.00
Forecast Business Rates retained	2,508,000.00	
Top Up grant	5,170,000.00	
Total Base Line funding	<u>7,678,000.00</u>	
Add Revenue Support Grant	3,208,000.00	
Total Grant funding (excluding transitional/freeze grant)	<u>10,886,000.00</u>	
Section 31 Grant Business Rates adjustment	668,000.00	
Previous Year's Surpluses/(Deficits)	0.00	
Total Council Tax required		<u>28,033,000.00</u>
Tax base	293,445.91	
Basic Council Tax (Band D equivalent)		95.53
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	63.69
Band B	7/9	74.30
Band C	8/9	84.92
Band D	9/9	95.53
Band E	11/9	116.76
Band F	13/9	137.99
Band G	15/9	159.22
Band H	18/9	191.06
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	90,938.89	8,687,392
Eastbourne	35,112.95	3,354,340
Hastings	26,123.65	2,495,592
Lewes	37,128.00	3,546,838
Rother	38,434.64	3,671,661
Wealden	65,707.77	6,277,063
	293,445.91	28,032,886

Establishment and payroll budget

	FTE @ 1/4/2020	FTE @ 1/4/2021
Principal Officers	3	3
Wholetime Firefighter	338	338
RDS firefighter Units	219	219
Control Room Staff	28.5	28.5
Support staff	148.4	148.4

Local Government Financial Settlement (provisional) Core Spending Power of Combined Fire Authorities

Local Authority	Core Spending Power	Settlement Funding Assessment	Compensation for under-indexing the business rates multiplier	Estimated Council Tax excluding Parish Precepts	Core Spending Power	Percentage change in Core Spending Power from 2019-20 to 2020-21
	£ millions	£ millions	£ millions	£ millions	£ millions	%
	2019-20	2020-21	2020-21	2020-21	2020-21	
Avon Fire	43.059	16.023	0.437	27.949	44.409	3.136
Bedfordshire Fire	29.294	8.262	0.238	21.914	30.414	3.826
Berkshire Fire	33.513	10.399	0.286	23.960	34.645	3.377
Buckinghamshire Fire	27.229	7.469	0.206	20.424	28.099	3.194
Cambridgeshire Fire	29.101	8.911	0.245	20.895	30.050	3.262
Cheshire Fire	42.632	13.460	0.380	30.210	44.050	3.325
Cleveland Fire	26.622	14.689	0.375	12.326	27.391	2.890
Derbyshire Fire	37.380	13.223	0.360	24.941	38.524	3.060
Devon and Somerset Fire	75.450	22.319	0.638	54.508	77.889	3.233
Dorset and Wiltshire Fire	55.675	14.311	0.419	42.759	57.538	3.347
Durham Fire	28.527	10.603	0.285	18.526	29.414	3.111
East Sussex Fire	38.260	10.972	0.311	28.211	39.494	3.227
Essex Fire	71.354	24.992	0.662	47.919	73.573	3.110
Hampshire Fire	65.086	21.900	0.584	44.607	67.091	3.081
Hereford and Worcester Fire	31.418	7.757	0.228	24.329	32.423	3.198
Humberside Fire	43.201	20.121	0.512	23.947	44.581	3.194
Kent Fire	70.522	21.325	0.597	51.024	72.946	3.437
Lancashire Fire	54.761	24.204	0.629	31.561	56.394	2.982
Leicestershire Fire	34.914	13.326	0.361	22.432	36.119	3.454
Nottinghamshire Fire	41.649	16.269	0.435	26.221	42.924	3.063
Shropshire Fire	21.826	5.236	0.157	16.940	22.653	3.789

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