

Policy & Resources Panel

23 July 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 Via Webex. To join go to:
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Password: kUDpgbMN758. To join via telephone dial +44-20-7660-814 Access code:
137 784 at 11.30 am

Quorum: 3

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

1. Declarations of Interest

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

2. Apologies for Absence/Substitutions

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

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

4. Minutes of the last Policy & Resources meeting held on 16 January 2020 5 - 10

5. Callover

The Chairman will call the item numbers of the remaining items on

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

6. Revenue Budget and Capital Programme Monitoring Provisional Outturn 2019/20 11 - 32

Report of the Assistant Director Resources/Treasurer

7. High Level Review of Revenue Budget 2020/21 and Capital Programme 2020/21 to 2024/25 33 - 52

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: 15 July 2020

Information for the public

East Sussex Fire and Rescue Service actively welcomes members of the public and the press to attend public sessions of its Fire Authority and Panel meetings.

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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 10.00 am on Thursday, 16 January 2020.

Present: Councillors Peltzer Dunn (Chairman), Galley, Tutt, Scott, Powell and Barnes (In place of Councillor Pragnell)

Also present:

M Andrews (Assistant Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), L Ridley (Assistant Director Planning & Improvement), D Savage (Assistant Director Resources/Treasurer), W Tricker (Finance Manager) and L Woodley (Deputy Monitoring Officer) and E Simpkin (Democratic Services Officer)

18 Declarations of Interest

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

19 Apologies for Absence/Substitutions

Apologies were received from Councillor Pragnell. Councillor Barnes was attending as his substitute.

20 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.

21 Minutes of the last Policy & Resources Panel meeting held on 31 October 2019

RESOLVED: That the minutes of the meeting of the Policy & Resources Panel held on 31 October 2019 be approved as a correct record and signed by the Chairman.

22 Callover

Members reserved the following items for debate:

23. Revenue Budget & Capital Programme Monitoring 2019/20
24. Fire Authority Service Planning Processes for 2020/21 & Beyond – Revenue Budget 2012/21 & Capital Strategy 2020/21 - 2024/25

23 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) which outlined the issues arising from the monitoring of the 2019/20 Revenue Budget and Capital Programme as at 30 November 2019. It was noted that the Revenue Budget was currently forecast to be £173,000 underspent. With regards to the Capital Programme, the ADR/T highlighted that it was the most ambitious in Fire Authority history. There had been a significant amount of slippage in both estates and fleet and as result the in-year spend was now forecast to be £4,232,000 underspent. The current risks to both budgets were detailed in the report.

The ADR/T offered reassurance over the slippage to the Capital Programme, explaining that there had been a need to engage additional programme support which had caused delays, however, this was now in place. Engagement with stakeholders regarding station works had taken longer than planned and changes in partner requirements, especially regarding plans for Uckfield and Heathfield Fire Stations, had also impacted. The Estate Strategy delivery plan had been re-profiled from 6 to 8 years in a more pragmatic approach. With regard to the fleet, replacements had been made on a like for like basis, however, the Fleet Strategy was being reviewed and time was being taken to ensure that the specification of frontline appliances and specialist equipment was appropriate for both current and future demand. The Assistant Chief Fire Officer (ACFO) added that the recently completed Operational Response Review needed to inform the fleet strategy. Consideration of contaminants was also fundamental to both fleet and estates design. He was confident that pausing was the right thing to do.

The Panel asked further questions on the differentiation between planned and unplanned slippage. Members welcomed the reassurance given by the ADR/T, however, they stressed the importance of differentiating between being over ambitious, programme management issues and conscious policy changes. Members asked whether there need to be an improvement in the project management so potential issues were identified at an earlier stage. The Chairman requested a further briefing note on the Capital Programme slippage and suggested that the matter be brought to the attention of the Scrutiny & Audit Panel.

The ADR/T acknowledged that the programme was ambitious, however this was the first comprehensive Estates Strategy for the Fire Authority and investment in key assets was vital. Employing additional resources had taken longer than anticipated. Staff engagement had been a challenge but had been the right course of action and had started a dialogue with staff which exceeded expectations. The issues with partner projects could not have been foreseen and revised plans for Heathfield and Uckfield Fire Stations were expected to be presented to SLT over the forthcoming months. The Estates team had grown and a shared service with Sussex Police developed with access to specialist external resources as and when required. The Estates Strategy Board which was chaired by the ACFO and on which Councillor Peltzer Dunn sat was maintaining an oversight. Officers were confident that the mechanism was now in place to deliver the Estates Strategy.

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

The Panel also asked about the apprenticeship levy and expressed their disappointment at the loss of funds. The Deputy Chief Fire Officer (DCFO) informed Members that a new Workforce Development plan was being produced and apprenticeships would form a core part of plan, for all staff across all levels. There was a period when the levy was not being utilised enough, however this had now reversed and losses had decreased.

RESOLVED: That the Panel notes:

- (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.

24 Fire Authority Service Planning Processes for 2020/21 & Beyond - Revenue Budget 2020/21 & Capital Strategy 2020/21 - 2024/25

The Panel received a report from the ADR/T which presented 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.

The ADR/T introduced the report highlighting that the Local Government Finance Settlement was only provisional at this stage and may be subject to change. The final council tax and business rate bases and the Collection Fund positions were also still awaited and although the Home Office had confirmed that its 2020/21 budget included a continuation of the funding for the one off fire pensions grants, this was yet to receive formal approval.

The report presented a balanced budget for 2020/21 based on a proposed council tax increase of 1.99%. The ADR/T added that the sector had lobbied the Government to allow a principle of 2% or £5 whichever is the greater, however, this had not been successful and the 2% threshold would apply. The Budget reflected pressures and savings in the region of £400k which had been identified through the Star Chamber process. The Business Rates Retention Pilot was due to end in 2020/21, however, the Authority had been part of a successful bid to re-establish the East Sussex Business Rates Pool. A reduction in the minimum reserves, down to 5% in line with national fire framework, was recommended.

The Panel noted the significant financial uncertainty after 2020/21 with the Comprehensive Spending Review expected to resume in spring 2020, the fairer funding review and the future of the business rates system to be

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

determined. The report presented a range of scenarios post 2020/21. Members commented on the unsatisfactory position that the Fire Authority was facing with uncertainty over long term funding and expressed caution over becoming dependent on council tax and business rates which carried risk. The ADR/T commented that lobbying was continuing through the National Fire Chiefs Council and at a political level through the Local Government Association Fire Services Management Committee.

The Panel asked for further clarification over the 1.99% proposed council tax increase, given the reference to made to a 1.4% change in table 3 on page 46 of the report. The ADR/T explained that the 1.4% represented the proposed increase in the net revenue expenditure which was funded by core grant, business rates and council tax. A 1.99% increase in council tax was required for a balanced budget as presented in the report, taking into consideration the interaction between the three main funding streams. The improvement and efficiency reserve was currently fully committed and the presented budget allowed for it to be replenished. If the Members wished to propose a lower council tax increase, options to reduce the proposed budget would need to be explored, including the proposed contribution to the Improvement and Efficiency reserve. The Panel supported the 1.99% proposed council tax increase and stressed importance of ensuring that budget proposals were clearly communicated to the public.

RESOLVED: That the Panel:

1. Notes 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. Recommends that the Fire Authority approves:
 - (a) an increase in council tax of 1.99% and thus approves:

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

- (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.

The meeting concluded at 11.25 am

Signed

Chairman

Dated this

day of

2020

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EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting Policy & Resources Panel

Date 23 July 2020

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

By Duncan Savage – Assistant Director Resources/Treasurer

Lead Officer Parmjeet Jassal – Finance Manager

Background Papers None

Appendices Appendix 1: 2019/20 Revenue Budget - Objective Analysis
Appendix 2: 2019/20 Capital Budget Monitoring
Appendix 3: 2019/20 – 2023/24 Capital Budget Monitoring
Appendix 4: 2019/20 Reserves Projections
Appendix 5: Monitoring of Savings 2019/20
Appendix 6: Cash Investments as at 31 March 2020

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 the provisional outturn for the 2019/20 Revenue Budget and Capital Programme.

EXECUTIVE SUMMARY This report is on an exception basis and addresses those areas where there are material variances, based on the position at 31 March 2020. The forecast may change as the year end process continues and is subject to external audit.

The Revenue Budget is provisionally overspent by a net £48,000 or 1% of the Net Revenue Budget. This is an adverse variation of £220,000 from the forecasted underspend of £173,000 reported in January 2020.

There are a range of variances across the Revenue Budget with the material ones being as follows:

- £84,000 underspend in People Services
- £357,000 overspend in Safer Communities
- £337,000 overspend in Operational Support
- £213,000 underspend in Corporate
- £300,000 surplus Financing

The overall revised Capital Programme to 2023/24 is provisionally forecast to be £9,000 underspent. The current year's revised Capital Programme is provisionally forecast to be £456,000 underspent, of which £447,000 is slippage into the next financial year against the revised Capital Programme, leaving £9,000 as the real underspend.

The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Fund Reserves). A summary of the year end position, can be found at Appendix 4. The year-end forecasted balance on reserves is £23,281,000, 33% higher than planned. The planned net drawdown of £8,150,000 is now an actual drawdown of £2,370,000, a reduction of £5,780,000. The main changes are the decreased use of revenue reserves (£1,920,000) as projects were delayed as well as an increase in Section 31 grant as a result of Covid-19. Additionally, a significant reduction in capital spend meant the draw down from capital reserves was £3,860,000 lower than originally planned.

Appendix 5 summarises the savings of £413,000 already taken from the 2019/20 budget and achieved in full.

The Fire Authority had £24.35m cash investments at 31 March 2020.

RECOMMENDATIONS

The Panel is asked to note:

- (i) the provisional 2019/20 Revenue Budget outturn,
- (ii) the provisional Capital Programme outturn,
- (iii) the net use of Reserves during the year
- (iv) the Savings delivered in 2019/20, and
- (v) the Cash Investments at year-end.

The Panel is asked to approve:

- (vi) the Capital slippage of £447,000 into 2020/21;

- (vii) the use of General Fund reserves to finance the net provisional overspend of £48,000, as set out in paragraph 6.6.
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1. Introduction

- 1.1 This report is based on the provisional year-end position and remains subject to external audit.
- 1.2 This is the fourth report to P&R Panel, for the 2019/20 financial year, and shows the financial position prior to external audit. There remains a small chance that these provisional figures will change as the year-end processes conclude.

	This P&R report	Last P&R report	Movement
	£'000	£'000	£'000
Revenue (see section 2)	48	(173)	221
Capital in year (see section 4)	(456)	-	(456)

- 1.3 The Revenue Budget is provisionally overspent by a net £48,000 (previously reported as £173,000 underspend) or 1% of the Net Revenue Budget. This is an adverse variation of £221,000 from the forecasted underspend of £173,000 reported in January 2020. This variation is summarised across divisions in Appendix 1 and detailed explanations provided in section 2 below.
- 1.4 The Capital Programme was revised by the Fire Authority in February 2020 to £29.163m to reflect updated spending plans. This reduced the 2019/20 in-year budget from £7.714m to £3.064m, a reduction of £4.65m.
- 1.5 The overall Capital Programme is provisionally forecast to be £9,000 underspent. The current year's revised Capital Programme is provisionally forecasted to be £456,000 underspent, of which £447,000 is slippage into the next financial year, leaving £9,000 as the real underspend, as summarised in Appendices 2 and 3 and detailed in section 4 below.

2. Revenue Budget Commentary

- 2.1 **People Services:** People Services has underspent by £84,000 (previously underspend of £75,000) and is due mainly to vacancies within Human Resources (HR £92,000, and the need to adjust the HR staffing structure including JDs and job evaluations). Occupational Health £36,000 underspend on medical fees. There is still ongoing work in this area to clarify annual spend with Sussex and Surrey Police. Health and Safety £22,000 underspend due to staffing vacancies and equipment. The overspend on Training of £69,000 was due to the requirement to run additional unplanned courses specifically for the change in the Officer's rota following the Service Delivery Review and the organisational requirement to train additional (to what was originally budgeted for) Level 2 Officers due to a high sickness rate. Whilst there was an overspend in training, this was managed by offsetting the underspend in HR and managing Peoples Services as a whole, without physically moving budgets.

- 2.2 **Resources/Treasurer:** Although the overall position is a provisional underspend of £16,000 (previously reported as £34,000 overspend), there are material variations in ITG and Estates as follows:
- 2.2.1 **ITG:** The ITG Manager has reported a provisional overspend of £97,000 (previously £141,000 overspend) of which the main components are, 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 over and underspends totalling £33,000. The variation since February has been due to delays in new services starting up e.g. Corporate Wi-Fi. Funding for ongoing pressures has been built into the 2020/21 budget.
- 2.2.2 **Estates:** The Estates Manager has reported a projected underspend of £113,000 (previously reported as £67,000). The underspend relates to over provision for the impact of the 2017 national Business Rates revaluation (£67,000) and a reduction in Building Maintenance costs (£46,000) as a result of better management of contracts and revised planning in the light of the wider capital investment in the estate.
- 2.3 **Planning and Improvement:** There is an underspend of £33,000 (previously an underspend of £20,000). This is mainly due to performance management consultancy (£30,000) and members' allowances (£3,000).
- 2.4 **Safer Communities:** The overall position is an overspend of £357,000 (previously a balanced budget). The reasons are mainly due to increased "on call" Firefighter costs within the Areas and employees covering long term sick leave. The key areas that have contributed are: £210,000 on-call Firefighters, (Pension costs £137,000, operational costs £88,000), Swift Water Rescue back pay of £46,000 and £99,000 in Community Safety where the budget manager has identified posts that may not be properly reflected in the budget and this is currently being investigated by Finance. The additional On-call Firefighter pension costs, funded through pension fund grant, are also being reviewed by Finance to ensure the grant is correctly applied.
- 2.4.1 Other cost pressures included on-call ancillary and training totaling £123,000 offset largely by the business safety underspend of £144,000 that is set to reduce as the next recruitment wave takes effect. The Operational Response Review (ORR) will ultimately lead to a re-base lining of Safer Communities (SC) whole time and on call budgets.
- 2.5 **Operational Support:** The Operation Support budget overspent by £373,000 (previously £38,000 underspent), the two key areas are Control room of £195,000 and Engineering £181,000.
- 2.5.1 **Control Room:** The overspend was primarily due to the impact of the ending of the joint service agreement leading to a marked increase in costs for the period between 17 February and 31 March 2020. The final position has only been established recently after extensive re-analysis of costs to inform the final recharge to WSCC. This included correction of payroll mis-codings that had hindered the recharging throughout the year.

2.5.2 **Engineering:** The Engineering budget overspend of £181,000, can be split into two areas of overspend:

- One off expenditure that could not have been foreseen totalled £89,000 and includes Brexit orders £25,000, front-line cover for sickness £30,000 and spring replacements on older appliances £34,000
- Ongoing pressures on vehicle maintenance and repairs of £92,000, which reflects a continuation of increased costs in excess of budget over the past three years. The Budget Holder believes that there is a capacity problem within engineering team, where there is an increased need to contract out on a more regular basis for repairs and maintenance on specialist vehicles. The issue will need to be considered when setting the 2021/22 budgets.

2.6 **Corporate:** The budget is forecasted to underspend by £213,000 (previously underspend of £89,000) and consists of the following:

2.6.1 **CFO Staff:** The budget is forecast to overspend by £9,000 (previously £14,000 overspend) mainly due to subscriptions.

2.6.2 **Treasury Management:** This budget has underspent by £165,000 (previously £132,000 underspend) due to surplus investment income.

2.6.3 **Non Delegated Costs:** These central budgets are projected to underspend by £83,000 (previously £29,000 overspend) and includes the unexpected receipt of Covid-19 grant (£136,000) and overspends as follows: ongoing Injury pensions £30,000 and one-off injury grants of £19,000. Additional funding of £15,000 for injury pensions has been included in the 2020/21 budget on the basis that eligibility reviews will also mitigate cost pressures.

2.6.4 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manage in-year budget pressures and was set at £506,000 for 2019/20. There is a balance of £109,000, which now counts toward the overall forecast underspend.

2.6.5 **Transfer to Reserves:** The variation of £136,000 relates to the transfer of Covid-19 grant received at the end of the financial year, to finance eligible spend in 2020/21.

2.7 **Financing:** There is an overall surplus of £300,000 (previously balanced budget). Whilst Council Tax and Collection Fund surplus/deficit receipts were at budgeted levels, the Section 31 grant received increased by £1,215,000 to compensate the loss on Business Rates £914,000. Additional income from the East Sussex Business Rate Pilot of £123,000 has been transferred into earmarked reserves as previously agreed.

3. Monitoring of Savings

3.1 Appendix 5 summarises the savings of £413,000 achieved in 2019/20. The relevant budgets had already been reduced in preparing the 2019/20 budget.

4. Capital Programme Commentary

4.1 The 2019/20 revised Capital programme, agreed by the Fire Authority in February 2020, was £456,000 underspent, of which £447,000 is planned to be slipped into the

2020/21 financial year following approval. The overall Capital Programme is expected to underspend by £9,000 (previously a balanced position).

- 4.2 The variance reported since the revision of the 2019/20 Capital Programme agreed at February Fire Authority relates to both Estates and Fleet schemes and is explained in more detail in the following paragraphs. The main causes were the impact of Covid 19 and earlier than planned receipt of grant funding.
- 4.3 **Estates - Shared Investment Schemes:** The budget has underspent by £126,000 against the revised capital budget of £190,000, primarily at Preston Circus where Covid 19 has delayed planned works, and it is proposed this be slipped into 2019/20 so that the schemes can be completed.
- 4.4 **Estates - Strategic Schemes:** The budget has underspent by £226,000 against the revised capital budget of £266,000. The majority of the underspend relates to replacement fuel tanks with grant funding received earlier than planned and works delayed by Covid 19. It is proposed this be slipped into 2019/20 so that the schemes can be completed.
- 4.5 **Estates - General Schemes:** There is an overspend of £67,000 against the revised programme of £378,000, which is the result of schemes planned for 2020/21 being brought forward.
- 4.6 **Fleet & Equipment:** There is an underspend of £170,000 against the revised programme of £2,230,000. The majority of the underspend relates to BA & Ancillary equipment (RPE) due to project delays including the impact of Covid 19 and £161,000 will be slipped into 2020/21. The remaining £9,000 of this is genuine underspend relating to Aerial Rescue Pump and Fire Appliances.

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

- 5.1 **Covid 19:** The impact of Covid 19 on the provisional outturn has been mixed. As noted above it has resulted in additional project delays and slippage in the Capital Programme. However the impact on the 2019/20 revenue budget has not been material. A small amount of additional revenue expenditure has been funded by grant funding from Government, the balance of which, has been transferred into an earmarked reserve. There have been some delays to both revenue (IT) and capital projects (Estates and Fleet). Covid 19 will continue to impact on the Authority's finances through 2020/21 and more markedly into 2021/22 where the impact on both the Business Rate and Council Tax Collection Funds will be felt.
- 5.2 **ESFC / P21:** The ending of the joint control centre has led to an overspend in the 2019/20 revenue budget. The Authority has made provision in its revenue budget to support the running of the interim ESFC service through 2020/21 and to fund investment in the transition to a new tripartite service in September 2021.
- 5.3 **Engineering:** There is risk that overspends seen in 2019/20 will carry on into 2020/21. A joint comprehensive review of the budget and commitments is being undertaken by Engineering and Finance staff to identify and quantify these issues and propose options to manage them.

- 5.4 **Safer Communities:** This is the largest and most complex budget which has seen improvement in control over wholtime establishment and staffing costs over recent and continues to benefit from additional resilience funding.
- 5.5 **Pensions Costs:** There is continued reliance on one off grant to fund increased employer contributions for FPS as well as the uncertainty on the cost and funding of the remedy resulting from the Sargent case.
- 5.6 **Swift Water Rescue:** This risk crystalised during 2019/20 following the resolution of a challenge by the FBU regarding Additional Availability Allowances and approximately £80,000 was accrued in the 2019/20 accounts for historic liabilities. A small pressure will also impact in 2020/21.
- 5.7 These risks will continue to be monitored in 2021/21 and should they materialise the Authority will need to determine how the financial impact is to be managed. The Authority has a number of options open to it to manage budget pressures: Identification of additional savings or managed underspends, use of the Corporate Contingency and/or use of General Balances.

6. Reserves

- 6.1 The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Fund Reserves).
- 6.2 The opening balance at 1 April 2019 was £25,651,000, less actual net transfer from reserves during the year of £2,370,000 results in a provisional closing balance of £23,281,000.
- 6.3 Appendix 4 summarises the planned and actual use of reserves for 2019/20, excluding the allocation of the projected overspend of net £48,000 to General Fund Reserve. The planned transfers are as recorded in the report to P&R Panel in January 2020. Actual net drawdown from reserves was £2,370,000 compared to planned drawdown of £8,150,000, resulting in £5,780,000 less being utilised overall as shown in the table below.

	Planned Net drawdown (Out) / In	Actual Net drawdown (Out) / In	Net Variation (Out) / In
	£'000	£'000	£'000
Earmarked Reserves	(2,369)	51	2,420
General Fund		(500)	(500)
Total Revenue Reserves	(2,369)	(449)	1,920
Total Capital Reserves	(5,781)	(1,921)	3,860
Total Usable Reserves	(8,150)	(2,370)	5,780

- 6.4 The actual use of Revenue Reserves (Earmarked and General Fund) reduced by £1,920,000 in comparison to planned use, with the main reasons being as follows:

- IT Strategy £698,000 following a revised focus on SCC / P21 and delays in other projects
- ESMCP readiness £765,000 where the national programme has been delayed
- Sprinklers £250,000 where proposed projects have proven difficult to progress
- SCC reserve £902,000 as a result of decisions made regarding project funding after the budget had been set
- Receipt of Covid 19 Grant £136,000
- Use of carry forward (£193,000) towards in-year pressures
- Use of reserve to finance RPE (£192,000)
- Use of general fund reserve (£298,000) to pay for SCC project
- Use of general fund reserve (£177,000) to pay for P.O. terms and conditions

6.5 The revised capital programme and slippage has resulted in the expected drawdown of net £5,781,000 from Capital Receipts Reserve to £1,921,000, increasing the amount available at 31 March 2020 by £3,860,000.

6.6 The reduction in General Fund Reserve of £500,000 reflects the Authority's decision to support and mitigate the financial risks of the SCC project and also the impact from decisions taken by Principal Officer Appointment Panel on senior office pay and terms and conditions.

6.7 The revenue overspend of net £48,000, if approved, will be financed by general fund reserve. No carry forward requests are entertained at a divisional level.

7. Borrowing and Investment

7.1 As at the 31 March 2020, the Authority held cash balances of £24.35m which are invested in accordance with the Treasury Management Strategy. These are summarised in Appendix 6.

7.2 As at the 31 March 2020, the Authority had borrowing totalling £11,773,000 and there were no loans that matured during the financial year.

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

	Original Budget	Revised Budget	Provisional Outturn	Variance	Variance	Variance last report to P & R
	£'000	£'000	£'000	£'000	%	£'000
Peoples Services	3,480	3,732	3,648	(84)	(2.3)	(75)
Resources/Treasurer	7,101	8,480	8,464	(16)	(0.2)	34
Planning and Improvement	1,331	1,523	1,490	(33)	(2.2)	(5)
Total Deputy Chief Fire Officer	11,912	13,735	13,602	(133)	(1.0)	(46)
Safer Communities	20,562	20,985	21,342	357	1.7	0
Operational Support	3,689	4,063	4,400	337	8.3	(38)
Total Assistant Chief Fire Officer	24,251	25,048	25,742	694	2.8	(38)
CFO Staff	657	895	903	9	1.0	14
Treasury Management	856	1,057	892	(165)	(15.6)	(132)
Non Delegated costs	(828)	(1,096)	(1,179)	(83)	(7.6)	29
Corporate Contingency	506	109	0	(109)	(100.0)	0
Transfer from Reserves		(2,644)	(2,644)	0	0.0	0
Transfer to Reserves	1,683	2,056	2,192	136	6.6	0
Total Corporate	2,874	377	164	(213)	(56.6)	(89)
Total Net Expenditure	39,037	39,160	39,508	348	1.0	(173)

Financed By:						
Council Tax	(27,215)	(27,215)	(27,215)	(0)	0.0	0
Business Rates	(11,346)	(11,469)	(10,555)	914	(8.0)	0
S31 Grants	(375)	(375)	(1,590)	(1,215)	324.1	0
Collection Fund	(101)	(101)	(100)	1	(0.5)	0
Surplus/Deficit						
Total Financing	(39,037)	(39,160)	(39,460)	(300)	0.8	0
Total Over / (Under) Spend	0	0	48	48	1.0	(173)

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East Sussex Fire Authority

2019/20 Capital Budget Monitoring

Capital Programme Expenditure				
	Revised Budget	Projected spend	Variance	Variance
	£'000	£'000	£'000	%
Property				
One Public Estate				
- Heathfield	10		(10)	(100)
- Partner contribution				
- Heathfield net cost	10	0	(10)	(100)
- Lewes	20	4	(16)	(81)
- Partner contribution				
- Lewes net cost	20	4	(16)	(81)
- Preston Circus	150	60	(90)	(60)
- Partner contribution				
- Preston Circus net cost	150	60	(90)	(60)
- Uckfield	10		(10)	(100)
- Partner contribution				
- Uckfield net cost	10	0	(10)	(100)
Total Shared Investment Schemes	190	64	(126)	(67)
Strategic Schemes				
- Replacement Fuel Tanks	220	137	(83)	(38)
- Partner contribution		(137)	(137)	(137)
- Replacement Fuel Tanks net cost	220	0	(220)	(100)
Design Guide Schemes	20	40	20	101
BA Chambers works	6		(6)	(100)
Sustainability	20		(20)	(100)
Total Strategic Schemes	266	40	(226)	(85)
General Schemes	378	445	67	18
Total Property	834	548	(286)	(34)
Information Management				
- Sussex Control Centre	37	0	(37)	(100)

- Grant funding	(37)	0	37	(100)
- Sussex Control Centre net cost	0	0	0	0
- RPE project	437	280	(157)	(36)
- grant funding	(10)	(10)	0	0
- BA & Ancillary Equipment net cost	427	270	(157)	(37)
Aerial Appliances	500	510	10	2
Aerial Rescue Pump	25	22	(3)	(14)
Fire Appliances	840	834	(6)	(1)
Ancillary Vehicles	279	300	21	7
Cars	12	12	0	0
Vans	147	113	(34)	(23)
Total Fleet and Equipment	2,230	2,060	(170)	(8)
Total Expenditure	3,064	2,608	*(456)	(15)

*Slippage £447,000 underspend £9,000 (ARP & Fire Appliances)

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

Capital Programme Expenditure				
	Revised Budget	Projected spend	Variance	Variance
	£'000	£'000	£'000	%
Property				
Shared Investment Schemes				
Integrated Transport Project	1,000	1000	0	0
- Partner contribution				
Integrated Transport Project net cost	1,000	1,000	0	0
One Public Estate				
- Heathfield	50	50	0	0
- Partner contribution				
- Heathfield net cost	50	50	0	0
- Lewes	920	920	0	0
- Partner contribution	(670)	(670)	0	0
- Lewes net cost	250	250	0	0
- Preston Circus	3,138	3138	0	0
- Partner contribution				
- Preston Circus net cost	3,138	3,138	0	0
- Uckfield	100	100	0	0
- Partner contribution				
- Uckfield net cost	100	100	0	0
Total Shared Investment Schemes	4,538	4,538	0	0.00
Strategic Schemes				
- Replacement Fuel Tanks	552	552	0	0
- Partner contribution	(330)	(330)	0	0
- Replacement fuel tanks net cost	222	222	0	0
Design Guide Schemes	2,353	2,353	0	0
BA Chambers works	405	405	0	0
Sustainability	417	417	0	0
Security	134	134	0	0
Total Strategic Schemes	3,309	3,309	0	0
General Schemes	4,709	4,709	0	0
			0	

Total Property	12,778	12,778	0	0
Information Management				
- Sussex Control Centre	1,643	1,643	0	0
- Grant funds	(1,643)	(1,643)	0	0
Sussex Control Centre net cost	0	0	0	0
Fleet and Equipment				
- Vehicle cameras	118	118	0	0
- Grants funds	(118)	(118)	0	0
- Vehicle cameras net cost	0	0	0	0
- BA & Ancillary Equipment	1,118	1,118	0	0
- grant funds	(10)	(10)	0	0
- BA & Ancillary Equipment Net cost	1,108	1,108	0	0
Aerial Rescue Ladder	1,458	1,458	0	0
Aerial Rescue Pump	25	22	(3)	(12)
Fire Appliances	8,202	8,196	(6)	(0)
Ancillary Vehicles	2,949	2,949	0	0
Cars	1,119	1,119	0	0
Vans	1,454	1,454	0	0
Telemetry	70	70	0	0
Total Fleet and Equipment	16,385	16,376	(9)	(0)
			0	
Total Expenditure	29,163	29,154	(9)	(0)

**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	2019/20 Net Variation In (Out)	Projected Closing Balance 31/03/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves							
Improvement and Efficiency	1,300		(675)		(829)	(154)	471
Sprinklers	490	150	(250)	150		250	640
Insurance	249					0	249
RPE and communications	192				(192)	(192)	0
ESMCP ESFRS readiness	1,425		(765)			765	1,425
ESMCP Regional Programme reserve	799	250	(485)		(233)	2	566
Responding to new risks Revenue	18					0	18
Safer Business Training	476		(164)		(121)	43	355
IT Strategy	3,370	483	(1,200)	483	(502)	698	3,351
Wholtime Firefighter recruitment	308		(308)		(268)	40	40
SCC reserve	175		(455)	1,048	(601)	902	622
Mobilising Strategy	0			3,553		3,553	3,553
Business Rates Retention Pilot, financial stability	0	480		587		107	587
Business Rates Retention Pilot, economic development	0	70		86		16	86
Covid -19 Grant	0			136		136	136
Carry Forwards	193				(193)	(193)	0
Capital Programme Reserve	4,762	500		500	(3,553)	(3,553)	1,709
Total Earmarked Reserves	13,757	1,933	(4,302)	6,543	(6,492)	2,420	13,808
General Fund	2,417				(500)	(500)	1,917
Total Revenue Reserves	16,174	1,933	(4,302)	6,543	(6,992)	1,920	15,725
Capital Receipts Reserve	9,477	515	(6,296)	28	(1,987)	3,822	7,518
Capital Receipts Unapplied Reserve				38		38	38
Total Capital Reserves	9,477	515	(6,296)	66	(1,987)	3,860	7,556
Total Usable Reserves	25,651	2,448	(10,598)	6,609	(8,979)	5,780	23,281

Excludes the projected overspend transfer to general fund reserves, pending approval.

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East Sussex Fire Authority

Monitoring of Savings 2019/20

CUMULATIVE CURRENT SAVINGS		Budget	Forecast	Variance
Category	Description	2019/20 £'000	2019/20 £'000	2019/20 £'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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Cash Investments as at 31 March 2020

Counterparty & Type	Amount invested	Rate %
Lloyds / HBOS 175 Day Notice (Base + 0.38%)	£4.0m	0.48%
Santander 95 Day Notice (0.75% +0.25%)	£4.0m	1.00%
Goldman Sachs 95 Day Notice (0.75% + 0.20%)	£4.0m	0.95%
Barclays Bank 95 Day Notice (base + 0.19%)	£4.0m	0.29%
Aberdeen MMF	£4.0m	0.48%
Deutsche MMF	£4.0m	0.41%
Insight MMF	£0.35m	0.31%
Total	£24.35m	

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EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting Policy & Resources Panel

Date 23 July 2020

Title of Report High Level Review of Revenue Budget 2020/21 and Capital Programme 2020/21 to 2024/25

By Duncan Savage – Assistant Director Resources/Treasurer

Lead Officer Parmjeet Jassal – Finance Manager

Background Papers None

Appendices Appendix 1: Budget Pressures & Funding Solutions
 Appendix 2: Savings Programme 2020/21
 Appendix 3: Revised Revenue Budget 2020/21 Subjective Summary
 Appendix 4: Revised Capital Programme 2020/21 - 2024/25

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 the findings of the high level review undertaken on the Revenue Budget 2020/21 and Capital Programme 2020/21 to 2024/25.

EXECUTIVE SUMMARY This is the first report to Policy & Resources Panel for the 2020/21 financial year and highlights the key findings of a high level review undertaken on the Revenue Budget 2020/21 and 5 year Capital Programme, approved by the Authority in February 2020. It should be noted the review is based on currently available information and the result may change as new information emerges during the year.

Revenue pressures to the sum of £824,000 (one-off £668,000, ongoing £156,000), including £55,000 savings at risk, have been identified.

Potential funding solutions in the current financial year include the use of Contingency (£329,000), General Fund Reserves (£47,000), Covid-19 Grant (£437,000) and Budget Savings to mitigate the remaining gap of £94,000. Ongoing pressures will need to be considered alongside other priorities, as part of the budget setting process 2021/22+. These are summarised in Appendix 1 and detailed in section 2.

Performance against the Savings Programme is summarised in Appendix 2 and detailed in section 3 along with potential areas where additional savings may be possible. The Revised Budget subjective summary incorporating these pressures is at Appendix 3.

Further Revenue and Capital programme risks are detailed in section 5, focusing specifically on areas that are subject to further investigation and the outcome could result in significant additional pressures in the current and future financial years. These include the impact of Covid-19 on both the Business Rate and Council Tax Collection Funds and the potential continuation of historical pressures in Engineering and Safer Communities.

The overall 5 year Capital Programme has increased by the 2019/20 slippage brought forward of £447,000 to £24,492,000. There is also a change in funding of £452,000 from Planned Revenue Contributions to Capital Receipts.

A review of the current year Capital Projects has concluded that £1,064,000 should be slipped into 2021/22 and there may be further delays as the full impact of Covid-19 becomes apparent. Detailed information is contained within section 4 and summarised in Appendix 4.

The updated position on reserves shows an opening balance of £23,281,000, a reduction in the planned drawdown of £683,000 and an estimated closing balance of £11,743,000, as detailed in section 6. Further work is required to review likely drawdown of reserves during the current year.

There is a reduction in the interest receivable on the Authority's cash investments of £24.35m due to the Bank of England lowering its' base rates to invigorate the economy due to the impact of Covid-19. Interest payments on fixed rate loans of £11.773m are unaffected. One loan of £75,000 will mature this year for which payment arrangements are in hand, as detailed in Section 7.

The report also begins to identify the potential scale of the financial challenge facing the Authority in its planning for 2021/22 including:

- Existing savings gap identified in MTFP mid case scenario = £1.239m
- Additional ongoing pressures identified = £0.156m
- Initial estimate of loss of income through Covid 19 from council tax and business rates through the collection fund £1.5m - £2.0m
- Reliance on one-off Pensions Grant of £1.735m to fund ongoing increase in employer's contributions
- Potential cost of the remedy for the Firefighter's Pension Scheme following McCloud / Sargent case – initial estimate of historic liability approx. £5m, ongoing cost approx. £0.9m pa

In its most recent announcements the Government has indicated that the collection fund losses from 2020/21 can be spread over three financial years and given a commitment that it will, in the next Spending Review, agree an apportionment of irrecoverable council tax and business rates losses between central and local government for 2020 to 2021. Whilst this further assistance is both necessary and welcome, what the Authority needs is certainty at an early date, not just regarding mitigation of the financial impact of Covid 19, but the settlement for 2021/22 and beyond including the baselining of one-off grants and funding for pensions costs. Without this certainty officers will need to bring forward proposals that match the scale of the emerging budget gap.

RECOMMENDATIONS

The Panel is recommended to note:

- (i) The one-off and ongoing revenue budget pressures identified
- (ii) the use of contingency to finance one-off pressures
- (iii) the other proposed funding options proposed in the report
- (iv) the slippage identified in the Capital Programme
- (v) the risks to the agreed Savings Programme
- (vi) the correction to the agreed capital financing for 2020/21
- (vii) that officers will identify areas where in year savings can be delivered in 2020/21
- (viii) the emerging scale of the financial challenge for 2021/22 onwards including the impact of Covid 19.

1. Introduction

- 1.1 The Revenue Budget 2020/21 and Capital Strategy 2020/21 to 2024/25 was approved at the meeting of the Fire Authority on 13 February 2020.
- 1.2 This is the first report to P&R Panel, for the 2020/21 financial year, and highlights the key findings of a high level review undertaken on the Revenue Budget 2020/21 and Capital Programme 2020/21 to 2024/25. It should be noted the review is based on currently available information and the result may change as new information emerges during the year.

	This P & R report	Last P & R report	Movement
	£'000	£'000	£'000
Revenue (see section 2)	824	-	824
Capital in year (see section 4)	(1,064)	-	-

- 1.3 The Revenue Budget, approved by the Fire Authority in February was a net expenditure requirement of £39.37m. Since then pressures to the sum of £824,000 (one-off £668,000, ongoing £156,000), including savings at risk, have been identified. These are summarised in Appendix 1, along with proposed funding solutions, and detailed explanations provided in section 2 below. The net pressures are reflected in the Revised Budget 2020/21 subjective summary at Appendix 2.
- 1.4 It is highly likely the collection funds for council tax and business rates will be affected by Covid-19 and will impact on 2021/22 allocations. A rough estimate provided by one District assumes a 5% drop in collection rates. If this assumption comes true, and, is replicated across the Districts and Boroughs, it could mean a loss in the range of £1,500,000 to £2,000,000 in 2021/22. There is no clear indication whether the Government will step in and help finance the gap, either partially or in whole. We are working closely with colleagues from East Sussex Finance Officers Association (ESFOA) and Brighton and Hove City Council (BHCC) to keep abreast of issues in this critical area and provide SLT and the Panel with updates in future reports.
- 1.5 The savings requirement 2020/21 is £426,000 and early indications are that £371,000 savings are on course to be successfully delivered, whilst £55,000 savings are at risk as detailed in Appendix 2 and section 3 below.
- 1.6 The five year Capital Strategy 2020/21 to 2024/25 was approved by the Fire Authority in February 2020 at £24,045,000. The overall amount has increased by £447,000 to £24,492,000 taking into account slippage from 2019/20, funded from Capital Receipts.
- 1.7 There is estimated slippage of £1,024,000 on 2 capital projects plus a change in funding of £452,000 from Planned Revenue Contributions to Capital Receipts. This

results from an oversight during budget setting when the revenue contribution was removed from the revenue budget as a saving but not from the capital financing analysis. Detailed information is contained within section 4 and summarised in Appendix 4.

- 1.8 A number of Revenue Budget and Capital Programme risks are set out in section 5 which will be monitored throughout the year. The updated position on Reserves, Borrowing and Investments is provided at sections 6 and 7 respectively.

2. **Revenue Budget Commentary**

- 2.1 The Revenue Budget, approved by the Fire Authority in February was at a net expenditure requirement of £39.37m. Since then pressures to the sum of £503,000 (one-off £347,000, ongoing £156,000) have been identified. These are summarised in Appendix 1 and detailed below.

- 2.2 It is clear that the identified pressures are significant in value and appropriate and realistic funding solutions are urgently required. The funding proposals are summarised in Appendix 1 and are as follows:-

- (i) **Covid-19 Grant** – the amount of £33,000 is considered as eligible expenditure for offsetting against the Covid-19 grant in 2020/21. We recognise we are currently reporting Covid costs of £437,000 April – September of which £354,000 is additional costs (including the IRMP consultation and commercial training of £33k already included here) plus circa £83,000 for loss of TM income which if we do cover with the Covid grant would deliver us additional flexibility (i.e. unbudgeted income) to cover pressures.
- (ii) **General Fund Reserve** – the amount of £47,000 pay award deficit can be funded from revenue reserve for 1 year only. An ongoing budget is to be identified for future years.
- (iii) **Corporate Contingency** – the uncommitted balance is currently £454,000 and it is proposed that £329,000 of one-off pressures are funded from this source in 2020/21. It should be noted that the remaining balance of £125,000 reduces considerably the Authority's ability to deal with new unforeseen pressures.
- (iv) **Revenue Budget** – Savings to be identified within the current year's budget to mitigate pressures of £94,000. Ongoing pressures should be included within the budget setting requirement for 2021/22.

- 2.3 Of these pressures, £55,000 (£30,000 one-off £25,000 ongoing) relate to savings at risk and detailed information on these can be found in section 3 below. The remainder are as follows:

- 2.3.1 **Pensions Abatement:** £18,000 ongoing – this may be partially or fully mitigated by being funded from existing service budgets

- 2.3.2 **Pay Award:** the pay award was allowed for in the 2020/21 at 2% increase. However, the employer's side has offered a Green Book pay award of 2.75%, which would result in a 0.75% budgeted deficit estimated at £47,000. This could be fully funded by revenue reserves in 2020/21 and future years built into the budget requirement.
- 2.3.3 **Extensions to secondments:** £152,000 – these one-off costs could be fully funded through Corporate Contingency.
- 2.3.4 **Swift Water Rescue:** £10k one-off this risk crystallised during 2019/20 following the resolution of a challenge by the FBU regarding Additional Availability Allowances and majority of costs (for historic liabilities) were accrued for in the 2019/20. A small pressure of £10,000 will also impact in 2020/21 which can be funded from Corporate Contingency.
- 2.3.5 **Scheme Sanction Charges:** Unknown – resulting from a requirement to change the way these charges are applied. Further work is required to scale this cost.
- 2.3.6 **New Workwear:** £60,000 one-off – relating to the roll out of new workwear using a new national contract could be funded from Corporate Contingency.
- 2.3.7 **IRMP consultation:** £45,000 one-off – as agreed by Fire Authority, of which £18,000 is additional cost arising from Covid 19 and will be funded from the Covid 19 grant. The remainder £27,000 could be funded from Corporate Contingency.
- 2.3.8 **Leadership and Behavioural Framework:** £50,000 one-off for training and communications as part of roll out agreed by SLT could be funded from Corporate Contingency.
- 2.3.9 **Safer Communities and ORR:** there were overspends totalling £538,000 across these directorates in 2019/20 (excluding SCC / ESFC) and work is underway to establish what is one off and what is ongoing and will impact in 2020/21.
- 2.3.10 **Financing:** Early indications are that it is highly likely the collection funds for council tax and business rates will be affected by Covid-19 and will impact 2021/22 allocations. This is mainly due to the uncertainty in the employment market, the respective loss in earnings which will impact on the ability to collect local tax, the level of claimants for council tax support and the impact on local businesses. There is no clear indication whether the Government will step in and help finance the gap, either partially or in whole.
- 2.3.11 **Section 31 Grant:** there is an anticipated surplus in grant of £565,000 during the year which is recommended to be placed into the Business Rates Reserve (BRR) as it reflects losses that will form part of the Collection Fund deficit distributed in 2021/22
- 2.3.12 **Business Rates & Council Tax:** It is highly likely the collection funds for council tax and business rates will be affected by Covid-19 and will impact on 2021/22 allocations. A rough estimate provided by one District assumes a 5% drop in collection rates. If this assumption comes true, and, is replicated across the Districts and Boroughs, it could mean a loss in the range of £1,500,000 to

£2,000,000 in 2021/22. There is no clear indication whether the Government will step in and help finance the gap, either partially or in whole. We are working closely with colleagues from East Sussex Fire Officers Association (ESFOA) and Brighton and Hove City Council (BHCC) to keep abreast of issues in this critical area and provide SLT and the Panel with updates in future reports.

2.3.13 **Grants:** The Government has allocated two new grants namely, Covid-19 and Surge Protection Funding as follows:

2.3.13.1 **Covid-19** – this is to alleviate an increase in expenditure and shortfall in income relating to Covid-19. £137,000 was allocated toward the end of 2019/20 and almost all (£136,000) has been brought forward in an earmarked reserve. The allocation for 2020/21 is £633,000 and for the purpose of this exercise, it is assumed it will all be spent. It is imperative that we are able to identify and evidence relevant net additional expenditure so that we avoid unnecessary costs against the base budget and retain this grant funding.

2.3.13.2 **Surge Protection Grant Funding** – the allocation for this Service is £510,000 specifically to deal with inspections for high rise buildings and other high risk buildings. Whilst the precise grant conditions are awaited, including the deadline by which the grant must be spent, a project group has been set up, and, a delivery plan will be drawn up, to ensure full use of the grant.

3. Savings Programme 2020/21

3.1 Appendix 2 summarises the savings requirement 2020/21 of £426,000. Early indications are that £371,000 savings are course to be successfully delivered, whilst £55,000 savings are at risk as follows:-

- (i) Management restructure - £5,000 (ongoing) is at risk due to the outcome of the Principal Officer Appointment Panel review of senior officer terms and conditions;
- (ii) Personal Protective Equipment - £20,000 (ongoing) is at risk due to the continuing use of FTCs and assistant instructors at STC. The remaining £71,000 should be achieved; and
- (iii) Maritime Savings - £30,000 (one-off) due to the pay protection period for Maritime Allowance at Newhaven is likely to extend to the end of the financial year.

3.2 There is potential that mitigating savings may be able to be achieved in part due to the impact of Covid 19. Covid 19 monitoring is currently forecasting the following savings April – September 2020:

- (i) External training - £201,000 – there may be some potential for part / all of this to be spent in the second half of the year if providers can deliver virtually / within Government guidelines but this will require further work to assess.
- (ii) Fuel - £22,000 – this is likely to be realisable

(iii) Travel and subsistence - £35,000 – this is likely to be realisable.

3.3 In addition given the delay to the planned HMI inspection in Spring 2021 it is unlikely that the agreed one off funding for inspection support (£35,000) will be required in 2020/21.

3.4 Officers will work to identify in year savings that could be used to mitigate the ongoing pressures identified in paragraph 2.2 (iv) above.

4. Capital Programme Commentary

4.1 The 2020/21 Capital Budget and five year Capital Strategy was approved by the Fire Authority in February 2020.

4.2 The Original Capital programme 2020/21 to 2024/25 was approved at £24,045,000 funded by Capital Receipts £7,566,000, Reserves £4,208,000, Planned Revenue Contributions £2,260,000 and Borrowing £10,458,000.

4.3 The original Capital Budget for 2020/21 is £5,992,000, funded through capital receipts and revenue contributions. There is a change in funding of £452,000 from Planned Revenue Contributions to Capital Receipts for 2020/21. This results from an oversight during budget setting when the revenue contribution was removed from the revenue budget as a saving but not from the capital financing analysis.

4.4 The provisional outturn 2019/20 has resulted in slippage of £447,000 into 2020/21. In addition, Service managers have advised that it is unlikely to complete the Ancillary vehicles (£994,000) and Telemetry (£70,000) projects within 2020/21 and asked for these schemes to be slipped into 2021/22. The Estates team is reviewing the impact of Covid-19 on the Estate's capital programme and further revisions may be necessary. The revised Capital Programme is summarised in the table below and detailed in Appendix 4.

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Original Approved Programme	5,992	6,767	4,461	3,906	2,919	24,045
Slippage from 2019/20	447	0	0	0	0	447
Revised Programme	6,439	6,767	4,461	3,906	2,919	24,492
Slippage 2020/21 to 2021/22	(1,064)	1,064	0	0	0	0
Revised Capital Programme	5,375	7,831	4,461	3,906	2,919	24,492
Funded by:						
Capital Receipts	5,375	2,643	0	0	0	8,018
Reserves	0	2,708	500	500	500	4,208
Revenue Contributions	0	452	452	452	452	1,808
New Borrowing / Need to Borrow	0	2,028	3,509	2,954	1,967	10,458
Revised Financing	5,375	7,831	4,461	3,906	2,919	24,492

5. Revenue Budget and Capital Programme Risks

- 5.1 **Covid 19:** The immediate financial impact of Covid 19 has been funded by grant from Government. There may be delays to capital projects and Covid 19 will continue to impact on the Authority's finances through 2020/21 and more markedly into 2021/22 where the impact on both the Business Rate and Council Tax Collection Funds will be felt.
- 5.2 **ESFC / P21:** The Authority has made provision in its revenue budget to support the running of the interim ESFC service through 2020/21 and to fund investment in the transition to a new tripartite service in September 2021. Further work is required to consolidate the financial baseline for P21 and the funding within the SCC and Mobilising Strategy Reserves.
- 5.3 **Engineering:** There is risk that overspends seen in 2019/20 will carry on into 2020/21 and beyond. A joint comprehensive review of the budget and commitments is being undertaken by Engineering and Finance staff to identify and manage these issues.
- 5.4 **Safer Communities:** This is the largest and most complex budget which has seen improvement in control over whole-time establishment and staffing costs over recent years and continues to benefit from additional resilience funding. Work is underway to validate funding for a number of Community Safety posts and also to understand an apparent spike in RDS pension costs in 2019/20.
- 5.5 **Pensions Costs:** There is continued reliance on one-off grant to fund increased employer contributions for FPS as well as the uncertainty on the cost and funding of the remedy resulting from the Sargent case (initial estimate of historic liability approx. £5m, ongoing cost approx. £0.9m pa). In addition, there is a risk around LGPS (triennial review concluded in 2020) new contribution rates which started in April 2020, but the LGPS (East Sussex Pension Fund) may want to undertake an

interim review of contribution levels following the Covid-19 impact on Fund asset values. At this stage it is understood that any impact is unlikely to be until 2021/22.

5.6 **External Audit Fees:** Our external auditors Ernst & Young (E&Y) are reviewing fees for all their public sector assignments through the PSAA contract. They have proposed a significant increase in fees of circa £25,000. We are awaiting further information from them and will be engaging with PSAA who must approve any fee variation.

5.7 These risks will continue to be monitored in 2020/21 and should they materialise the Authority will need to determine how the financial impact is to be managed. The Authority has a number of options open to it to manage budget pressures: Identification of additional savings or managed underspends, use of the Corporate Contingency and/or use of General Balances.

6. Reserves

6.1 The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves) and making provisions for the financial risks it faces (General Fund Reserves).

6.2 The opening balance at 1 April is £23,281,000. The planned net transfer from reserves of £12,221,000 has decreased by a total of £683,000 resulting in an estimated closing balance of £11,743,000 as summarised in the table below:

	Balance at 1 April 2020	Planned Net Drawdown (Out) / In 2020/21	Revised Net Drawdown (Out) / In 2020/21	Net Variation (Out) / In 2020/21	Est. Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Total Revenue Reserves	15,725	(6,681)	(6,163)	518	9,562
Total Capital Reserves	7,556	(5,540)	(5,375)	165	2,181
Total Usable Reserves	23,281	(12,221)	(11,538)	683	11,743

6.3 Revenue Reserves £518,000 - due to retaining the anticipated surplus of £565,000 on Section 31 grant in the Business Rate Relief (BRR) reserve to contribute towards potential shortfalls in 2021/22 arising from Covid-19 and use of General Fund Reserve to fund the deficit on pay award of £47,000.

6.4 Capital Reserves £165,000 – due to the use of capital slippage from 2019/20 £447,000, the increase in capital financing of £452,000 from planned revenue contributions, less the capital slippage into 2021/22 of £1,064,000.

6.5 Further work is required with budget managers to confirm planned use of revenue reserves in 2020/21.

7. Borrowing and Investment

- 7.1 As at the 1 April, the Authority held cash balances of £24.35m which are invested in accordance with the Treasury Management Strategy. As noted above further work is required to confirm the forecast level of drawdown from reserves during the year. The Authority's budget anticipated a reduction from £19.8m to £7.5m and this will mean the need to liquidate investments during the year. Finance is working with the ESCC Treasury Management team to improve cash-flow monitoring to facilitate this.
- 7.2 The Bank of England reduced its' base interest rate from 0.75% to 0.10% to invigorate the economy due to the impact of Covid -19. We are beginning to see an impact as Banks start to reduce their rates on investments, resulting in lower interest receivable. We are awaiting further modelling but at this stage we expect to be able to deliver budgeted interest receipts of £75,000. If interest rates had stayed at their prevailing rates, we would have seen additional income of approximately £75,000, similar to that realised in the last two financial years, to use towards managing current pressures. It is possible that the Covid 19 grant may compensate for part of this loss in income.
- 7.3 The Authority has debts totalling £11,773,000 and there is no impact on the interest payable, as these are subject to fixed interest rate deals. £75,000 of the debt will mature at the end of the current financial year for which payment arrangements are in hand.

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East Sussex Fire & Rescue Service - High Level Review of Budget 2020/21 +							Appendix 1
Summary of Pressures one-off and ongoing & Funding Solutions							
Expenditure	Responsible Officer	2020/21	2021/22	2022/23	2023/24	2024/25	
		£'000	£'000	£'000	£'000	£'000	
Maritime (non realisation of savings)	RF	30	0	0	0	0	
Pension manager extension	HSY	45	0	0	0	0	
Station manager secondment to Training and Assurance	HSY	60	0	0	0	0	
GM ORR extension	LR	47	0	0	0	0	
Swift Water Rescue	MM	10	0	0	0	0	
New Workwear	DS	60	0	0	0	0	
IRMP consultation	LR	45	0	0	0	0	
Leadership & Behavioural framework	HSY	50	0	0	0	0	
Covid Related (less £33k IRMP & F&C included elsewhere)	All	321	0	0	0	0	
Total One-Off Pressures		668	0	0	0	0	
Pensions abatement	HSY,RF,MM	18	18	18	18	18	
Pay award - deficit 0.75%	Corporate	47	47	47	47	47	
Management restructure (non realisation of savings)	Corporate	5	5	5	5	5	
PPE & Workwear (non realisation of savings)	DS	20	20	20	20	20	
Other income / Fees & Charges	DS	66	51	51	51	51	
Total Ongoing Pressures		156	141	141	141	141	
Total Estimated Pressures		824	141	141	141	141	
Potential Funding Solutions		Corporate Contingency	General Fund Reserve	Covid-19 Grant	Budget	Total 2020/21	
		£'000	£'000	£'000	£'000	£'000	
Maritime (non realisation of savings)	RF	30				30	
Pension manager extension	HSY	45				45	
Station manager secondment to Training and Assurance	HSY	60				60	
GM ORR extension	LR	47				47	
Swift Water Rescue	MM	10				10	
New Workwear	DS	60				60	
IRMP consultation	LR	27		18		45	
Leadership & Behavioural framework	HSY	50				50	
Covid Related (less £33k IRMP & F&C)				404		404	
Total One-Off Pressures		329	0	422	0	751	
Pensions abatement	HSY,RF,MM				18	18	
Pay award - deficit 0.75%	Corporate		47			47	
Management restructure (non realisation of savings)	Corporate				5	5	
PPE & Workwear (non realisation of savings)	DS				20	20	
Other income / Fees & Charges	DS			15	51	66	
Total Ongoing Pressures		0	47	15	94	156	
Total Funding Solutions 2020/21		329	47	437	94	907	
Key:							
Duncan Savage	DS						
Hannha Scott- Youldon	HSY						
Liz Ridley	LR						
Mark Matthews	MM						
Richard Fowler	RF						

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				Appendix 2
East Sussex Fire & Rescue Service - High Level Review of Budget 2020/21 +				
Savings Programme 2020/21				
		2020/21 Savings	2020/21 Projection	2020/21 At Risk
Description	Responsible Officer	£,000	£,000	£,000
Management Restructure	Corporate	(5)	0	5
Engineering - cutting equipment purchased early (1 year only)	RF	(60)	(60)	0
PPE & Workwear	DS	(91)	(71)	20
Fire Brigade Union (FBU) post	MM	(20)	(20)	0
Going digital on CFA agendas implementation of Modern.Gov	LR	(3)	(3)	0
Reduction in administration costs in Safer Communities	MM	(25)	(25)	0
Use of BR Pooling to support service delivery	DS/MM	(50)	(50)	0
Estates Strategy revenue maintenance savings.	DS	(20)	(20)	0
Business Rates overstated pressure.	DS	(67)	(67)	0
FPS administration moving to West Yorkshire Pension Fund	DS	(24)	(24)	0
Webex savings from each directorate.	Corporate	(12)	(12)	0
Primary Authority income target	MM	(19)	(19)	0
Maritime	RF	(30)	0	30
		(426)	(371)	55

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			Appendix 3
East Sussex Fire & Rescue Service - High Level Review of Budget 2020/21 + Revenue Budget 2020/21 Subjective Summary			
	2020/21 Original Estimate FA £'000	2020/21 Revised Estimate £'000	Variation £'000
Salaries, Allowances and On-costs	29,511	29,763	252
Training Expenses	586	586	0
Other Employees Costs	45	55	10
Employee Costs	30,142	30,404	262
Repair, Maintenance and Other Costs	1,261	1,261	0
Utility Costs	1,233	1,233	0
Premises Costs	2,494	2,494	0
Vehicle Repairs and Running costs	979	979	0
Travel Allowances and Expenses	124	124	0
Transport Costs	1,103	1,103	0
Equipment and Supplies	1,046	2,189	1,143
Fees and Services	3,197	3,197	0
Communications and Computing	1,837	1,837	0
Other Supplies and Services	385	560	175
Supplies and Services	6,465	7,783	1,318
Sums set aside from revenue	414	414	0
Interest Payments	496	496	0
Capital Financing	910	910	0
Grants and Contributions	(2,041)	(3,184)	(1,143)
Interest Received	(75)	(75)	
Other Income	(321)	(255)	66
Income	(2,437)	(3,514)	(1,077)
Transfers from reserves	(627)	(674)	(47)
Transfers to reserves	1,687	2,252	565
	1,060	1,578	518
Total Net Expenditure	39,737	40,758	1,021
Financed By:			
Council Tax	(27,931)	(27,931)	0
Business Rates	(7,714)	(7,714)	0
Revenue Support Grant	(3,208)	(3,208)	0
S31 Grants	(799)	(1,364)	(565)
Collection Fund Surplus/Deficit Council Tax	(85)	(85)	0
Total Funding	(39,737)	(40,302)	(565)
Budget Requirement	0	456	456

*Assumes £47k pay award deficit funded from reserve & Covid-19 costs £354k covered by grant

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East Sussex Fire & Rescue Service - High Level Review of Budget 2020/21 +

Revised Capital Programme

	Responsible Officer			2020/21	2021/22	2022/23	2023/24	2024/25	Total
				£'000	£'000	£'000	£'000	£'000	£'000
Property									
Shared Investment Schemes									
Integrated Transport Project	DS	100	0	100	800	100	0	0	1,000
- Partner contribution	DS								
Integrated Transport Project net cost	DS	100	0	100	800	100	0	0	1,000
One Public Estate									
- Heathfield		40	10	50	0	0	0	0	50
- Partner contribution									
- Heathfield net cost	DS	40	10	50	0	0	0	0	50
- Lewes		100	16	116	700	100	0	0	916
- Partner contribution		0	0	0	(570)	(100)	0	0	(670)
- Lewes net cost	DS	100	16	116	130	0	0	0	246
- Preston Circus		750	90	840	2,000	219	0	0	3,059
- Partner contribution									
- Preston Circus net cost	DS	750	90	840	2,000	219	0	0	3,059
- Uckfield		60	10	70	30	0	0	0	100
- Partner contribution									
- Uckfield net cost	DS	60	10	70	30	0	0	0	100
Total Shared Investment Schemes		1,050	126	1,176	2,960	319	0	0	4,455
Strategic Schemes									
- Replacement Fuel Tanks		330	83	413	0	0	0	0	413
- Partner contribution		(330)	137	(193)	0	0	0	0	(193)
- Replacement fuel tanks net cost	DS	0	220	220	0	0	0	0	220
Design Guide Schemes		30	-20	10	492	768	477	546	2,293
BA Chambers works		0	6	6	0	0	0	0	6
Sustainability		320	20	340	0	7	21	28	396
Security		0	0	0	70	22	18	24	134
Total Strategic Schemes	DS	350	226	576	562	797	516	598	3,049
General Schemes	DS	1,199	-65	1,134	1,234	429	473	764	4034
Total Property	DS	2,599	287	2,886	4,756	1,545	989	1,362	11,538
Information Management									
- Sussex Control Centre		0	37	37	0	0	0	0	37
- Grant funds		0	(37)	(37)	0	0	0	0	(37)
Sussex Control Centre net cost	DS	0	0	0	0	0	0	0	0
Fleet and Equipment									
- Vehicle cameras		118	0	0	118	0	0	0	118
- Grants funds		(118)	0	0	(118)	0	0	0	(118)
- Vehicle cameras net cost	RF	0	0	0	0	0	0	0	0
- BA & Ancillary Equipment		0	157	157	0	0	0	0	157
- grant funds									
- BA & Ancillary Equipment Net cost	RF	0	157	157	0	0	0	0	157
Aerial Rescue Ladder		200	-10	190	0	0	758	0	948
Aerial Rescue Pump		0	0	0	0	0	0	0	0
Fire Appliances		1,717	0	1,717	874	2,218	1,721	828	7,358
Ancillary Vehicles		1,015	(21)	0	1,703	350	276	319	2,648
Cars		179	0	179	308	309	57	155	1,008
Vans		212	34	246	120	39	105	255	765
Telemetry		70	0	0	70	0	0	0	70
Total Fleet and Equipment	RF	3,393	160	2,489	3,075	2,916	2,917	1,557	12,954
Total Expenditure		5,992	447	5,375	7,831	4,461	3,906	2,919	24,492
Funding:									
Government Grants		0	0	0	0	0	0	0	0
Capital Receipts		5,540	447	5,375	2,643	0	0	0	8,018
Reserves		0	0	0	2,708	500	500	500	4,208
Planned Revenue Contributions		0	0	0	452	452	452	452	1,808
New Borrowing / Need to Borrow		0	0	0	2,028	3,509	2,954	1,967	10,458
Internal Borrowing		0	0	0	0	0	0	0	0
Total Funding		5,992	447	5,375	7,831	4,461	3,906	2,919	24,492

Revised Capital Programme

	Original 2020/21	Slippage 2019/20	Revised 2020/21	Revised 2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Expenditure	5,992	447	5,375	7,831	4,461	3,906	2,919	24,492
Funding:								
Government Grants	0	0	0	0	0	0		0
Capital Receipts	5,540	447	5,375	2,643	0	0	0	8,018
Reserves	0	0	0	2,708	500	500	500	4,208
Planned Revenue Contributions	452	0	0	452	452	452	452	1,808
New Borrowing / Need to Borrow	0	0	0	2,028	3,509	2,954	1,967	10,458
Internal Borrowing	0	0	0	0	0	0	0	0
Total Funding	5,992	447	5,375	7,831	4,461	3,906	2,919	24,492