Public Document Pack

Fire Authority
13 February 2020

Membership:

Councillors: Galley (Chairman), Lambert (Vice-Chair), Barnes, Dowling, Ebel, Evans, Hamilton, O'Keeffe, Osborne, Peltzer Dunn, Powell, Pragnell, Scott, Sheppard, Smith, Taylor, Theobald and Tutt

You are requested to attend this meeting to be held in the Council Chamber, County Hall, East Sussex County Council, St Anne's Crescent, Lewes at 10.30 am

Quorum: 6

Contact:	Abigail Blanshard

Agenda

37. 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.

38. Apologies for Absence

39. 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

40. To consider any public questions

41. To receive any petitions

42. Non-confidential Minutes of the Previous Meeting **5 - 12**

To approve the Non-confidential Minutes of the last meeting held on

9 January 2020

43. Callover

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

44. Fire Authority Service Planning Processes for 2019/20 & beyond - Revenue Budget 2020/21 & Capital Strategy 2020/21 - 2023/24 **13 - 64**

Report of the Assistant Director Resources/Treasurer

45. Treasury Management Strategy 2020/21 **65 - 102**

Report of the Assistant Director Resources/Treasurer

46. Pay Policy Statement 2020/21 **103 - 114**

Report of the Assistant Director People Services

47. Firefighter Pension Schemes **115 - 158**

Report of the Assistant Director HR, OD, Training & Assurance

48. Health, Safety & Well-being Strategy 2020-2023 **159 - 182**

Report of the Assistant Director People Services

49. Future Provision of Offshore Maritime Response Team **183 - 190**

Report of the Assistant Chief Fire Officer

50. Exclusion of the Press & Public

To consider whether, in view of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the remainder of the meeting on the grounds that, if the public and press were present, there would be disclosure to them of exempt information.

Note: Any item appearing in the confidential part of the Agenda will state the category under which the information disclosed in the report is confidential and therefore not available to the public.

51. Confidential Minutes of the Previous Meeting **191 - 196**

To approve the Confidential Minutes of the last meeting held on 9 January 2020

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

Date of Publication: 5 February 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.

If you have any particular requirements, for example if you require wheelchair access or an induction loop, please contact democraticservices@esfrs.org for assistance.

Agendas and minutes of meetings are available on the East Sussex Fire & Service website: www.esfrs.org.

FIRE AUTHORITY

Minutes of the meeting of the FIRE AUTHORITY held at Council Chamber, County Hall, East Sussex County Council, St Anne's Crescent, Lewes at 10.00 am on Thursday, 9 January 2020.

Present: Councillors Galley (Chairman), Barnes, Dowling, Ebel, Evans, Hamilton, O'Keeffe, Peltzer Dunn, Powell, Pragnell, Scott, Sheppard, Taylor and Tutt and Wares

Also present: D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), A Ghebre-Ghiorghis (Monitoring Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), H Scott-Youldon (Assistant Director People Services), R Fowler (Assistant Director Operational Support & Resilience), M Matthews (Assistant Director Safer Communities), K Pearce (ITG Manager), E Curtis (Communications & Marketing Manager), C Sharp (Project Manager), C Porter (Project Co-ordinator), Z Hiley (Democratic Services Officer), E Simpkin (Democratic Services Officer), S Neill (Group Manager), J Oliver (Finance)

Press & Public: M Shaw (Reporter), H Oxburgh (Local Democracy Reporter), F De Luc (Reporter), H Shapcott (Mott MacDonald), P Sutherland (Mott MacDonald), S Norton (ESFRS), S Ivatt (ESFRS), M Hunter (ESFRS), S Oakman (ESFRS)

50 Declarations of Interest

There were none.

51 Apologies for Absence

Apologies had been received from Councillors Carolyn Lambert, Sarah Osborne, Andy Smith and Carol Theobald.

The Chairman welcomed Councillors Bowdler, Field, Swansborough and Wares who were attending as substitutes.

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

The Chairman advised that Members had been made aware of the deeply sad and untimely passing of Chris "Casper" Mepham who passed away at his home on Monday morning. Casper was well known within the East Sussex Fire & Rescue family and was a well-loved firefighter at White Watch, Bohemia Road, Hastings. The Fire Authority wished to record their heartfelt thoughts for Casper and to his wife Sarah and two daughters Esmae and Connie at this very sad time. A Minutes Silence was held as a mark of respect.

The Fire Authority welcomed its new Member, Councillor Ruth O'Keeffe. Councillor O'Keeffe joined following the resignation of Councillor Earl-

Williams. On behalf of the Fire Authority, the Chairman extended thanks to Councillor Earl-Williams for her work on the Fire Authority.

53 To consider any public questions

The following questions were received from Members of the Public. All questioners would receive a written response to their question/s.

The questions and responses are included in these minutes as a matter of public record.

Public Question from Neal Martin of East Sussex Fire Control:

"How many times has Surrey Control been crewed below minimum crewing of 6 since West Sussex changed over?"

Response:

This information is not held by East Sussex, but we have spoken to Surrey about the matter. They acknowledge that within December, the first month of joint operations with WSFRS, crewing at their control room has been lower than optimum on some occasions. This is primarily a result of the need to train new operators that transferred from ESFRS to Surrey on their Capita Vision system and some short term sickness. Surrey are also actively recruiting for more control room operators at present. They are confident this will not be an issue going forwards.

Public Questions from Sue Ivatt on behalf of East Sussex Fire Control:

"If East decide to go to Surrey who will carry out the 450 (approx.) admin jobs we currently do now, as it has been confirmed by Surrey/West staff that admin jobs are not being carried out?"

Response:

The ESFRS crewing model proposed for the Surrey partnership option involves us retaining a small in-house team to manage administrative jobs in future. The scope of services performed by Surrey on behalf of WSFRS is a matter for them.

"We were informed that Surrey mobilising system can vary attendances for each service, this is not happening with West calls?"

Response:

This depends on the way in which Surrey and West Sussex Fire and Rescue Services have chosen to configure their mobilising systems, which we are not party to. As confirmed previously, the Surrey Capita Vision system does have the capability to apply different PDAs to differing geographic areas. If the FRA choose this solution, our aim remains to work with Surrey and West Sussex

FRS in partnership to develop common and best practice Ways of Working across all three services over time.

"Are you aware of the amount of mobilisation failures that have occurred with West Sussex?"

Response:

Not directly. However we are in regular dialogue with West Sussex and Surrey and they are working through some technical and operational issues that have occurred in the first few weeks since their go-live – frankly much as ESFRS had a series of issues to work through following go-live of 4i in March 2018. In fact, similar to our experience, they have confirmed that some of these issues are not directly the mobilising system, but other weakness in WSFRS IT infrastructure (e.g. Station end equipment). Surrey and West Sussex have agreed to share all relevant learning from their experience to help minimise any similar occurrences if we moved to the Surrey model.

"Are you aware of the amount of Hazard reports that have been submitted by Hawards Heath alone?"

Response:

Not directly. However we have spoken to West Sussex about this matter and they have acknowledged receipt of a series of hazard reports from their Haywards Heath station in recent weeks. Most we understand relate to the same issue of mobile data terminals for Haywards Heath appliances not connecting properly, and the station is using the hazard reporting route to highlight each occurance. They are working to resolve the issue, and as per Question 4 Surrey and West Sussex have agreed to share all relevant learning from their experience to help minimise any similar occurrences if we moved to Surrey.

"Are you aware mobilisation failure of a persons reported call, where 5 people were led to safety?"

Response:

Not specifically. Please see the answer provided to Question 4 above about mobilisation failures.

"Are you aware of wrong attendances being sent, i.e. Haywards Heath, Burgess Hill sent to an RTC in Eastbourne, Worthing being sent to a Fire Alarm call in Brighton? Local knowledge is very important, this will not happen if East go to Surrey."

Response:

Yes we are aware of these – they took place within the first couple of days of transfer of West Sussex control to Surrey. The Fire Alarm incident was a result of an AFA company incorrectly assuming that fire control for all of Sussex had transferred to Surrey. A degree of local knowledge would inherently be maintained via the transfer of existing ESFC staff to Surrey under TUPE should the recommended option be adopted, and that local knowledge will grow with time across all Surrey control staff. It is important to recognise that local knowledge resides in operational crews at local stations.

"Are you aware that the Surrey control has run at below minimum crewing for 2 services on a number of occasions?"

Response:

Please see the response to Question 1 about crewing levels at Surrey control. If we outsource to Surrey, call management and mobilisation times would form part of our service level agreement and Surrey would be responsible for crewing appropriately to meet these performance criteria.

Public Questions from Sean Fisk, Crew Manager B Watch on behalf of East Sussex Fire Control:

"Other than Lewes HQ have any other East Sussex sites been considered to hold a control room? For example Preston Circus FS, Hove FS or Training Centre at Maresfield (where 4i is already set up!)"

Response:

Yes. A standalone option on an ESFRS site other than Lewes HQ (e.g. Preston Circus) is in effect a duplicate/ alternative of the new Option 5 evaluated in the supplementary report to the Fire Authority - other than it would be on a different site. It therefore would not provide the potential inter-agency collaboration benefits afforded by co-locating with Sussex Police at Lewes HQ and also incur the additional costs of managing a site. The reasons for not recommending a standalone option are:

- It carries very significant risks – in particular a delay as we would need a new mobilising system which could not be delivered until mid-2023 due to procurement timescales.
- It is unaffordable - it is more than third more expensive than the Surrey partnering option (nearly £3.5m extra) and would not provide public tax payers best value and we already need to find savings elsewhere in our Medium Term Financial Plan.
- There is much greater opportunity to achieve important operational and collaboration benefits with other options.

"Although we have been advised that current fire control can remain at Haywards Heath until May 2021, what is the likelihood of this date being brought forward, similar to West Sussex early departure?"

Response:

It is very unlikely that the date would be brought forward due to the volume of work required to transition to the new solution and the fact that the decision on which option to pursue is already 3 months later than first planned. The target date to implement the new solution remains April 2021 (not May), although the current lease for Haywards Heath that we have agreed with WSFRS would allow us to stay until September 2021 if that became necessary.

"If another joint control room in Surrey FRS is chosen what redeployment opportunities will be available for affected control room personnel?"

Response:

All personnel will contractually have full employment rights. Opportunities for re-deployment within ESFRS will be explored in full as part of the individual consultation process we will undertake, some of which may obviously necessitate retraining.

"What considerations have been made regarding transporting East Sussex staff to Surrey during extreme weather conditions, for example snow, ice or flooding?"

Response:

This will form part of Surrey FRS future business continuity plans. We will ensure that we are satisfied with these plans as part of any agreement to partner with Surrey.

"East Sussex promotes wellbeing for staff, but over time with the extra travelling staff will not feel valued, motivated, focused or even 'well rested' especially between night shifts."

Response:

All partners involved are committed to the wellbeing of staff and all employers have a statutory duty in this respect under Section 2 of the Health and Safety at Work Act. The distance from Haywards Heath to Surrey's control room at Salfords is deemed to be reasonable in terms of staff relocation. We do value all our people and believe that there are some benefits associated with being part of a larger team.

"Having waited for almost 4 years for a new mobilising system would it not be better to further invest in the system to improve its performance (current

software upgrade waiting to be installed!) and keep existing staff with significant experience and local knowledge within the county."

Response:

The purpose of Project 21 is to implement a robust future mobilising solution for ESFRS that will have lifespan of at least 5 years beyond the end of our existing 4i contract – which is March 2021. So the solution we chose needs to last until at least 2026. Our existing systems do not have that longevity and even if we were to pursue a new standalone solution (not recommended as per the answer given to Question 9 above) we would be very unlikely to continue with the same supplier due to the fact they now only have a small sector market share.

54 To receive any petitions

There were none.

55 Non-confidential Minutes of the Previous Meeting

RESOLVED – That the minutes of the meeting held on 25 October 2019 approved and signed by the Chairman. *(Copy in Minute Book)*

56 Callover

Members raised whether to bring Agenda Item No. 36 – 'Project 21 Future Mobilising – Supplementary Report' into the public domain on the grounds that the Project 21 report presented at the previous Fire Authority meeting on 25 October 2019 had been considered in public. Some Members also favoured an open session to enable as much of the information and decision-making process as possible to be in the public domain.

There was acknowledgement by Members that parts of the report were clearly commercially sensitive. The Monitoring Officer advised that, as the Proper Officer, his decision to support the exemption of the report was due to a large part of the content that referred to sensitive information of a contractual, commercial, financial and third-party nature. He explained there was no straightforward way of separating the exempt information out of the report to enable a 'safe' discussion in public and given the risks his advice remained that all discussion in respect of the report should be carried out under Part II (exempt) of the meeting. He suggested that a redacted version of the report be released to the public after the meeting and two versions of the Minutes would be produced (public and exempt).

Councillor Scott proposed and Councillor Powell seconded a motion to move 'Project 21 Future Mobilising – Supplementary Report' into the public domain.

Votes: For – 8 Against – 9 Abstain - 1

Therefore the discussion of the report under Agenda Item No. 36 would remain exempt.

57 Exclusion of the Press & Public

RESOLVED: That Agenda Items No. 35 and 36 be exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 and accordingly are not open for public inspection on the following grounds: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

60 Project 21 Future Mobilising - Supplementary Report - Post Meeting Release

Members (17 in attendance during this section of the meeting) came to their decision after a series of votes on the following proposed motions:

Councillor Scott proposed the following motion –

"That the preferred option be Option 5 the stand alone 'in-house' control room at Lewes HQ utilising its own independently procured and maintained set of mobilising systems.

That ESFRS officers be instructed through the budgetary process to identify the required funding including the use of reserves to achieve the above Option 5.

Finally that the Chairman/Vice Chair and senior ESFRS officers continue to lobby the new government to secure adequate funding for ESFRS in the future."

Votes: For - 5 Against - 12

Therefore the motion was not carried.

Councillor Barnes proposed a motion to consider the recommendations as set out in the 'Project 21 Future Mobilising – Supplementary Report'.

Councillor Tutt proposed and Councillor Swansborough seconded an amendment to the above motion, to firstly re-consider the hybrid option with North West Fire Control Ltd (NWFC) – a co-located local control room with Sussex Police, and partner with NWFC for systems & fall-back.

Votes: For – 3 Against – 14

The amendment to the motion was therefore not carried.

The original motion to consider recommendations i, ii and iii as set out in the 'Project 21 Future Mobilising – Supplementary Report' was put forward to Members and was voted on as follows:

Votes: For – 9 Against – 5 Abstain – 3

The motion was thereby carried and it was therefore -

RESOLVED: That the Authority:

i. considered the Final Due Diligence Report from Mott MacDonald and the associated report by the Deputy Chief Fire Officer as previously presented to the Fire Authority, in parallel with the supplementary information provided in this report;

ii. noted the recommendation from the Senior Leadership Team to the Fire Authority that Option 1 – partner with Surrey Fire & Rescue Service – remains the preferred option; and

iii. approved that Option 1 – partner with Surrey Fire & Rescue Service be implemented by Project 21.

The meeting concluded at 12.30 pm

Signed

Chairman

Dated this day of 2020

EAST SUSSEX FIRE AUTHORITY

Panel	Fire Authority
Date	13 February 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	Dawn Whittaker, Chief Fire Officer and Duncan Savage, 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.
- Project 21 – Future Mobilising final options appraisal: Fire Authority 25 October 2019.
- Project 21 – Supplementary Report: Fire Authority 9 January 2020.
- 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
I – Equality Impact Assessment

Implications

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

PURPOSE OF REPORT

To present the Fire Authority's Revenue Budget 2020/21, Capital Strategy 2020/21 – 2024/25 and Medium Term Finance Plan for 2020/21 – 2024/25 for approval.

EXECUTIVE SUMMARY

The Authority's budget proposals for 2020/21 and its five year Medium Term Finance Plan (MTFP) were considered by the Policy and Resources Panel on 16 January 2020. Since that meeting the report has been updated to reflect the latest council tax and business rates information, collection fund positions and revised information from central government on business rates funding. The Local Government Finance Settlement (LGFS) is expected to be finalised when the Local Government Finance Report (England) 2020/21 is debated by Parliament on 12 February 2020. The budget proposals and MTFP now also reflect the impact of the Authority's decision to approve the replacement of its mobilising system (Project 21). Revisions have also been made to reflect changes to the fleet schemes within the Capital Asset Strategy.

This report outlines proposals for setting a balanced revenue budget for 2020/21. The Net Budget Requirement has increased by £0.467m or 1.2% to £39.504m. This increase comprises pressures and new commitments of £0.863m and savings of £0.396m. Funding from core grant, business rates retention (including S31 grants) and collection fund surpluses / deficits has reduced by £0.249m based on the latest returns from the billing authorities and assumptions provided by the Authority's advisor LG Futures. This reflects a better than expected LGFS but also the cessation of the BRR Pilot (which increased funding in 2019/20 by £0.550m). The proposed increase in council tax of 1.99% (in line with the steer given by Policy & Resources Panel) along with a growth in council taxbase of 0.63% will generate additional income of £0.716m ensuring that spending is balanced against available resources.

There remains significant uncertainty for fire funding beyond the current one year LGFS. For 2021/22 and beyond there are 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. The 2020/21 Revenue Budget and all elements of the Authority's financial planning have been updated for the Authority's decision on its future mobilising strategy (Project 21) on 9 January 2020.

As a consequence of the uncertainty in future funding 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 £2.634m by 2024/25. In the worst case scenario this increases to £3.531m by 2024/25. In the best case scenario this reduces to £0.615m.

Officers will continue to explore the potential for further savings to meet the identified target by 2024/25 through various activities set out in the Efficiency Strategy 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 includes further revisions to the fleet strategy as the Authority continues to review its fleet requirements and a re-profiling of delivery of the Estates Strategy over eight years rather than six as originally planned, reflecting more realistic timescales. The approval of Project 21 requires significant investment of £5.445m in the short term to deliver a new mobilising service of which £4.379m is new funding from reserves which had previously been allocated to fund the Capital Asset Strategy. This will bring forward the need for the Authority to commence new borrowing to fund its capital investments and the Revenue impacts of this is now reflected in the MTFP from 2021/22 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. The position takes account of 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 Authority is recommended to approve:

(a) an increase in council tax of 1.99% and thus approve:
   (i) the budget proposals set out in this Report and the net budget requirement of £39.504m for 2020/21;
   (ii) the council tax requirement of £27.931m; and
   (iii) the council tax and precepts as set out in Appendix F

(b) the capital programme for the next five years, the capital budget of £5.992m 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.

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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 Authority to consider. The report is based on the latest information available, but Members should note that the Final Local Government Finance Settlement for 2020/21 will not be formally approved until 12 February 2020.

1.2 The Local Government Finance Settlement confirmed the council tax referendum threshold of 2% for 2020/21for 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 returns and other 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 Operational Response Review (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 £0.632m in 2021/22 falling to £0.615m (best case), £1.176m in 2021/22 increasing to £2.634m by 2024/25 (mid case) and £1.448m in 2021/22 and £3.531m 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 30 January 2020.

2.4 The Government continue to set the target for CPI at 2%. The December figure announced on 15 January 2020 was 1.3% down from 1.5% in November 2019. 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 contrasted with our existing modelling which anticipated reductions in SFA in the first year of a three year CSR of between 5% and 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. The suspension of the business rates retention pilot schemes has reduced the funding available to the Authority.

3.2 The council tax referendum threshold has been set at 2% for fire authorities in 2020/21. The Authority and the sector nationally had 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 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 threshold. The Revenue Budget and MTFP have been prepared on the basis of a 1.99% increase for 2020/21 and beyond.

3.4
- The Local Government Finance Report (England) 2020/21 is due to be debated on 12 February 2020 when, if as expected it is approved, the LGFS will become final. It is recommended that power is delegated to the Chief Fire Officer, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.

3.5 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 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

3.6 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.

3.7 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 into 2020/21 at the same value for the life of the MTFP (£1.735m).

3.8 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 3.5 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. 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 2021/22 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, based on the returns available at the time of writing, for Collection Funds indicate a deficit of £21,000 on the council tax collection fund and a surplus of £40,000 on the business rates collection fund.

4.5 For 2020/21 pay inflation for all terms and conditions is 2.0% which equates to £584,000.

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 1.2% in 2020/21 and then 2.0%, 2.3%, 2.1% and 2.0% 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 £358,700 in 2020/21 decreasing to £224,700 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 £2.634m (mid case) by 2024/25. The best and worse-case scenarios give targets of £0.615m and £3.531m respectively.

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 to Policy and Resources Panel on 16 January 2020 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 latest 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 based on the latest figures from the billing authorities as 292,378.40, an increase of 0.63% on 2019/20. This is lower than previously modelled and reflects the following increases across the billing authorities:

- Brighton & Hove = 0.76%
- Eastbourne = 0.24%
- Hastings = 1.28%
- Lewes = 0.14%
- Rother = 0.19%
- Wealden = 1.10%

The increased taxbase combined with a council tax increase of 1.99% yields additional income of £0.716m. The 2019/20 taxbase increase was 1.02% and the 2018/19 taxbase increase 1.55%.

6.1.4 It is estimated based on the latest returns from the billing authorities that there will be a deficit of £0.021m on the council tax collection fund and a surplus on the business rates collection fund of £0.040m for distribution in 2020/21. 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 based on the estimate provided by the Authority's advisor LG Futures in Table Two below:

Table 2: Movement in Resources

	2020/21 Latest position £'000	2020/21 Fire Authority September 2019 £'000	Increase / (Decrease) £'000	2020/21 Fire Authority February 2019 £'000	Increase / (Decrease) £'000
Locally Retained Business Rates	2,508			8,481	(5,973)
Business Rates Top up	5,170			2,865	2,305
Business Rates Baseline	7,678	0		11,346	(3,668)
Revenue Support Grant	3,208				3,208
Settlement funding assessment	**10,886**	**10,256**	**630**	**11,346**	**(460)**
Council Tax Collection Fund Surplus / (Deficit)	(21)	0	(21)	170	(191)
Business Rates Collection Fund Surplus / (Deficit)	40	0	40	(69)	109
Section 31 grant Business Rates adjustment	668	0	668	375	293
Total Funding	**11,573**	**10,256**	**1,317**	**11,822**	**(249)**
Council Tax					
Council Tax Requirement	27,931	28,049	(118)	27,215	716
Total Resources	**39,504**	**38,305**	**1,199**	**39,037**	**467**

6.1.6 Table 2 shows the movement in forecast resources from the September CFA report and reflects the impact of the better than expected one year LGFS (including the continuance of S31 grants to compensate for adjustments to business rates by central government) giving increased resources of £1.199m. However Table 2 also illustrates the movement in resources from the approved 2019/20 budget. This shows that Total Funding has reduced by £0.249m but this includes the loss of income from the

Business Rate Pilot (£0.550m) and the fact that we have not assumed any income from the Business Rate Pool at this stage and increased compensation from government to reflect the impact of the extension of BR reliefs. It is important to note that neither BR Pilot nor Pool income Is used to fund core services. Income from council tax is forecast to increase by £0.716m giving an overall increase in resources of £0.467m from 2019/20 to 2020/21.

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. It also assumes an increase in council taxbase base based on a rolling three year average which at 1.26% is higher than that forecast for 2020/21. 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	584	1.50%
Non pay inflation	170	0.43%
Changes in capital financing	(17)	(0.04%)
Commitments	126	0.32%
Savings	(396)	(1.01%)
Original Estimate 2020/21	**39,504**	**1.20%**

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. The budget proposals have been shared with key business representative groups, partners and employee representative bodies with an invitation to comment. No responses had been received by the end of January deadline.

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 from General and earmarked reserves, 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.	(171)
TOTAL	**126**

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 remains unchanged, with the balance funded from Corporate Contingency.

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 ide		**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 impact of the Authority's decision to move to a tri-service mobilising centre with Surrey and West Sussex FRSs has now been built into the MTFP and will bring forward the need to borrow to fund the Capital programme. The MTFP includes the cost of financing capital expenditure with a decrease in 2020/21 as some external debt is paid off and increases of £16,000 in 2021/22, £182,000 in 2022/23, £181,000 in 2023/24 and £136,000 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 £18.265m by the end of the MTFP.

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

	Total resource £'000	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	***2024/25 £'000***
2020/21 Strategy							
Fleet	13,467	2,230	3,394	2,010	2,916	2,917	*1,557*
Property	10,723	834	2,599	4,756	1,545	989	*1,362*
IMD	0	0	0	0	0	0	*0*
Total Cost	**24,190**	**3,064**	**5,993**	**6,766**	**4,461**	**3,906**	***2,919***
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	113	(1,123)	673	(128)	1,157	(466)	

Property	(2,211)	(2,541)	(2,034)	3,073	(14)	(695)	
IMD	0	0	0	0	0	0	
Total Increase / (Decrease)	**(2,098)**	**(3,664)**	**(1,361)**	**2,945**	**1,143**	**(1,161)**	

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 wholetime 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 £'000	**31/03/2021 £'000**	**31/03/2022 £'000**	**31/03/2023 £'000**	**31/03/2024 £'000**	**31/03/2025 £'000**
Capital Programme Reserve	1,708	2,208	0	0	0	0

Other Earmarked Reserves	8,973	1,889	628	249	249	249
Total Earmarked Reserves	10,681	4,097	628	249	249	249
General Fund	1,959	1,862	1,862	1,862	1,862	1,862
Capital Reserves	7,119	1,579	0	0	0	0
Total Useable Reserves	**19,759**	**7,538**	**2,490**	**2,111**	**2,111**	**2,111**

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 attached as Appendix I. 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.

APPENDIX A

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	**40,089**	**41,622**	**42,362**	**43,080**	**43,813**
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	**37,747**	**37,921**	**38,646**	**39,346**	**40,057**
Capital financing costs less interest receivable	835	851	1,033	1,214	1,350
Capital expenditure from the Revenue Account	0	452	452	452	452
Transferred from reserves	(627)	0	0	0	0
Transferred to reserves	1,549	1,065	1,092	1,092	1,092
Total Net Expenditure	**39,504**	**40,289**	**41,223**	**42,104**	**42,951**

Net Budget brought forward	**39,037**	**39,504**	**40,289**	**41,223**	**42,104**
Unavoidable cost pressures					
Pay inflation	584	583	608	619	631
Price inflation	170	199	177	179	180
Total inflation	**754**	**782**	**785**	**798**	**811**
Changes in Capital Financing	(17)	16	182	181	136
Budget commitments	126	(58)	27	22	20
Savings approved	(396)	45	(60)	(120)	(120)
Total Net Expenditure	**39,504**	**40,289**	**41,223**	**42,104**	**42,951**

Sources of Funding	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2023/24 £'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	(21)	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	40	0	0	0	0
Council Tax Requirement	27,931	28,771	29,638	30,531	31,450
Total Resources Available	**39,504**	**39,113**	**39,463**	**39,865**	**40,317**
Additional Savings Required / (surplus)	**0**	**1,176**	**1,760**	**2,239**	**2,634**

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

	2020/21 £'000	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Spending assessment reduction 7.5%	**0**	**1,448**	**2,270**	**2,957**	**3,531**

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

	2020/21 £'000	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Spending assessment flat	**0**	**632**	**699**	**687**	**615**

APPENDIX B (i)

Revenue Budget Subjective Summary

	2019/20 Original Estimate £'000	2020/21 Original Estimate £'000
Salaries, Allowances and On-costs	29,628	29,511
Training Expenses	545	586
Other Employees Costs	68	45
Employee Costs	**30,241**	**30,142**
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	3,197
Communications and Computing	1,431	1,837
Other Supplies and Services	407	290
Supplies and Services	**6,486**	**6,370**
Sums set aside from revenue	431	414
Interest Payments	496	496
Capital Financing	**927**	**910**
Grants and Contributions	(2,196)	(2,041)
Interest Received	(75)	(75)
Other Income	(1,527)	(321)
Income	**(3,798)**	**(2,437)**
Transfers from reserves	0	(627)
Transfers to reserves	1,683	1,549
Total Net Expenditure	**39,037**	**39,504**
Financed By:		
Council Tax	(27,215)	(27,931)
Business Rates	(11,346)	(7,678)
Revenue Support Grant	0	(3,208)
S31 Grants	(375)	(668)
Collection Fund Surplus/Deficit Council Tax	(101)	(19)
Total Funding	**(39,037)**	**(39,504)**

APPENDIX B (ii)

Revenue Budget Objective Summary

	2019/20 Original Estimate £'000	2020/21 Original Estimate £'000
Peoples Services	3,499	3,603
Resources/Treasurer	7,100	7,483
Planning and Improvement	1,322	1,288
Total Deputy Chief Fire Officer	**11,921**	**12,374**
Safer Communities	20,563	21,014
Operational Support	3,670	4,338
Total Assistant Chief Fire Officer	**24,233**	**25,352**
CFO Staff	656	706
Treasury Management	856	839
Non delegated costs	(818)	(1,048)
Corporate Contingency	506	359
Transfers from Reserves	0	(627)
Transfers to Reserves	1,683	1,549
Total Corporate	**2,883**	**1,778**
Total Net Expenditure	**39,037**	**39,504**

APPENDIX C

Fees and Charges
with effect from 1 April 2020

Fee	Existing Fees 2019/20 £	New Fees 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 " * "*

APPENDIX D

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 and 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 and 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 re-profiling of projects planned for delivery in 2019/20 and some re-phasing of planned purchases of fire appliances.

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 unapplied capital receipts of £7.119m (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 £1.708m 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 £76,000 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**

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
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	**4,709**	**232**	**378**	**1,199**	**1,234**	**429**	**473**	**764**	**4,477**
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)**

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
- 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	1,458		500	200			758		**1,458**
Aerial Rescue Pump	25		25						**25**
Fire Appliances	8,202	4	840	1,717	874	2,218	1,721	828	**8,198**
Ancillary Vehicles	2,949		279	1,015	709	350	276	319	**2,948**
Cars	1,119	100	12	179	308	309	57	155	**1,020**
Vans	1,454	576	147	212	120	39	105	255	**878**
Telemetry	70			70					**70**
Total Fleet and Equipment	**16,385**	**1,361**	**2,230**	**3,393**	**2,011**	**2,916**	**2,917**	**1,557**	**15,024**
Total Expenditure	**29,163**	**2,054**	**3,064**	**5,992**	**6,767**	**4,461**	**3,906**	**2,919**	**27,109**

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	2,872	5,540	1,579				9,991
Capital Programme Reserve			2,708	500	500	500	4,208
Breathing Apparatus Reserve	192						192
Sub total	**3,064**	**5,540**	**4,287**	**500**	**500**	**500**	**14,391**
Revenue Contributions	0	452	452	452	452	452	2,260
Need to borrow	0	0	2,028	3,509	2,954	1,967	10,458
Total funding	**3,064**	**5,992**	**6,767**	**4,461**	**3,906**	**2,919**	**27,109**

USE OF RESERVES

Funding – Use of Reserves						
	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Capital Receipts Reserve						
Opening Balance	9,476	7,119	1,579	0	0	0
Transfers In	515	0	0	0	0	0
Transfers Out	2,872	5,540	1,579	0	0	0
Closing Balance	**7,119**	**1,579**	**0**	**0**	**0**	**0**
Capital Programme Reserve						
Opening Balance	4,761	1,708	2,208	0	0	0
Transfers In	500	500	500	500	500	500
Transfers Out	3,553*	0	2,708	500	500	500
Closing Balance	**1,708**	**2,208**	**0**	**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**

* Part contribution toward Project 21

APPENDIX E

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 4.956% 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 approval of Project 21 proposals are reflected in the transfer of funding into this reserve which will be drawdown mainly 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				**2.301**

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

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
Earmarked Reserves								
Improvement & Efficiency	118	500	(90)	528	260	0	0	0
Sprinklers	293	0	(293)	0	0	0	0	0
Insurance	249	0	0	249	249	249	249	249
RPE and Comms	0	0	0	0	0	0	0	0
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
Responding to new risks Revenue	0	0	0	0	0	0	0	0
Business rates Pool Reserve	321	0	(155)	166	0	0	0	0
IT Strategy	1,937	549	(2,032)	454	0	0	0	0
Wholetime Firefighter recruitment	0	0	0	0	0	0	0	0
SCC Reserve	0	0	0	0	0	0	0	0
Mobilising Strategy	3,517	0	(3,329)	188	119	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
Carry Forwards	0	0	0	0	0	0	0	0
Capital Programme Reserve	1,708	500	0	2,208	0	0	0	0
Total Earmarked Reserves	**10,681**	**1,549**	**(8,133)**	**4,097**	**628**	**249**	**249**	**249**
General Fund	1,959	0	(97)	1,862	1,862	1,862	1,862	1,862
Total Revenue Reserves	**12,640**	**1,549**	**(8,230)**	**5,959**	**2,490**	**2,111**	**2,111**	**2,111**
Capital Receipts Reserve	7,119	0	(5,540)	1,579	0	0	0	0
Total Capital Reserves	**7,119**	**0**	**(5,540)**	**1,579**	**0**	**0**	**0**	**0**
Total Usable Reserves	**19,759**	**1,549**	**(13,770)**	**7,538**	**2,490**	**2,111**	**2,111**	**2,111**

APPENDIX F

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

	£	£
NET BUDGET REQUIREMENT		**39,504,000.00**
Forecast Business Rates retained	2,508,000.00	
Top Up grant	5,170,000.00	
Total Base Line funding	7,678,000.00	
Add Revenue Support Grant	3,208,000.00	
Total Grant funding (excluding transitional/freeze grant)	10,886,000.00	
Section 31 Grant Business Rates adjustment	668,000.00	
Previous Year's Surpluses/(Deficits)	19,000.00	
Total Council Tax required		**27,931,000.00**
Tax base	**292,378.40**	
Basic Council Tax (Band D equivalent)		**95.53**

Basic Council Tax from above calculation		**Council Tax**
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**

	Tax Base	**Precept**
Brighton and Hove	**90,722.80**	**8,666,749**
Eastbourne	**34,848.60**	**3,329,087**
Hastings	**26,197.00**	**2,502,599**
Lewes	**36,811.20**	**3,516,574**
Rother	**38,124.60**	**3,642,043**
Wealden	**65,674.20**	**6,273,856**
	292,378.40	**27,930,908**

APPENDIX G

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

APPENDIX H

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

Equality Impact Analysis Record (Inclusion Risk and Benefits)

This form should be completed in conjunction with EIA Tip Sheet and Key EIA Considerations

Part 1 – The Document					
1.	Name of Policy, Procedure, Activity, Decision or Service:	**Fire Authority Service Planning processes for 2020/21 and beyond – Revenue Budget 2020/21 and Capital Strategy 2020/21 to 2024/25**			
	Status of PPADS (please tick)	☒ **NEW**	☐ **UNDER REVIEW**	☐ **CHANGING**	☐ **EXISTING**
2.	a. Main purpose of PPADS:	**To set a balanced revenue budget and agree the Capital Asset Strategy in the context of a five year financial plan**	b. Project Manager and Process owner:	AD Resources / Treasurer	
	c. Project/processes this PPADS is linked to:	All investment decisions			
3	List the information, data or evidence used in this analysis:	Panel report and SLT papers			

Part 2 - Analysis				
Characteristics	**Neutral Impact** (x)	**Negative Impact* (Risk Assess & score)**	**Positive Impact** (x)	**Narrative Section, detail below why and how you scored impact, you should consider:** **What are the risks &/or negatives, benefits and or opportunities to that Protected Characteristic?** **You will need evidence to support your Analysis.**
A person of a particular age	☒		☐	**All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members.** **None of the savings impact this group.**
A disabled person	☒		☐	**All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members.** **None of the savings impact this group.**
A person of a particular sex, male or female				**All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members.** **None of the savings impact this group. The savings in PPE and work wear relate to volumes and procurement savings, not in the provision.**

Pregnancy, Maternity, Marriage or Civil Partnership	×			**All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members.** **None of the savings impact this group.**
A person of a gay, lesbian or bisexual sexual orientation	×			All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members. None of the savings impact this group.
A person of a particular race	×			All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members. None of the savings impact this group.
A person of a particular religion or belief	×			All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members. None of the savings impact this group.

Transgender a person whose gender identity/expression does not make their assigned sex	☒	☐	All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members. None of the savings impact this group.
Community considerations Application across communities or associated with socio-economic factors considering the 10 dimensions of Equality	☒	☐	All of the current business plans deliver statutory requirements and have been scrutinized by SLT, Star Chamber and members. None of the savings impact this group.
Criminal convictions	×		
Rural living	×		
Human rights	×		

Part 3 – The results

	Yes	No	
Are there negative scores in **Low**? (see guidance)	☐	×	*If Yes, list any actions required to adjust the activity and any mitigation you will implement in the action plan below in* ***section 6***
Were positive impacts identified?	☒		*If No, I & D will contact you about this*
Are some people benefiting more than others? If so explain who and why.	☐	×	
Are one or more negative scores in **Medium** or **High**? (See guidance)	☐	×	*If Yes, Contact I & D for further consultation*

Part 4 - Consultation, decisions and actions

If medium or high range results were identified who was consulted and what recommendations were given?

Describe the overall decision on this Policy, Procedure, Activity, Service or Decision:

List all actions identified to address/mitigate negative risk or promote positively		
Action	**Responsible person**	**Completion due date**
Under the Estates Strategy Equality Impact Assessments will be carried out for each relevant capital project	Estates Manager / Project Manager	projects delivered over eight year period ending 2026/27
When, how and by whom will these actions be monitored?		
Estates Strategy Delivery Board		

Part 5 – Sign Off	
Created by (Print Name): Duncan Savage	Department: Resources
Signature**Duncan Savage	Date: 07/01/2020
To be completed by Equalities Team	
Signature** Becky Cheng	EIA number:
Assessment date: **07/01/2020**	Review date:

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EAST SUSSEX FIRE AUTHORITY

Meeting	Fire Authority
Date	13 February 2020
Title of Report	Treasury Management Strategy for 2020/21
By	Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Richard Carcas – Principal Finance Officer (Treasury Management) ESCC

Background Papers

Fire Authority:
14 February 2019 Treasury Management Strategy for 2019/20
13 June 2019 Treasury Management Stewardship Report 2018/19

Policy & Resources Panel:
31 October 2019 Half year review for 2019/20

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services - Code of practice

Local Government Act 2003 Local Government Investments - Guidance from the The Ministry of Housing, Communities and Local Government

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Appendices

1. Treasury Management Scheme of Delegation
2. The Prudential & Treasury Indicators
3. Minimum Revenue Provision (MRP) Policy Statement
4. Approved countries for investment
5. Comment from Link Asset Services on the outlook for 2020/21
6. Counterparty list
7. Options Appraisal for Investments
8. Investment Benchmarking
9. Glossary

Implications (please tick ✓ and attach to report)
Any implications affecting this report should be noted within the final paragraphs of the report

CORPORATE RISK		**LEGAL**	
ENVIRONMENTAL		**POLICY**	
FINANCIAL	✓	**POLITICAL**	

HEALTH & SAFETY		**OTHER (please specify)**	
HUMAN RESOURCES		**CORE BRIEF**	

PURPOSE OF REPORT

To approve the treasury management strategy, policy statement and the Minimum Revenue Provision (MRP) Statement 2020/21

EXECUTIVE SUMMARY

This report contains recommendations about the borrowing limits, the prudential indicators and limits, the investment strategy and policy as required by Section 3 (1) of the Local Government Act 2003 and the Prudential Code for Capital Finance 2017.

The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the proposed capital programme and revenue budget dealt with elsewhere on the agenda. As will be clear from the global events, it is impossible in practical terms to eliminate all credit risk. The Fire Authority seeks to be prudent.

The Authority is recommended to approve borrowing limits to give flexibility for any future consideration in undertaking new external long-term / replacement borrowing should the need arise or market conditions prove favourable.

The Fire Authority has always adopted a prudent approach on its investment strategy and, in the last few years, there have been regular changes to the list of the approved organisations used for investment of short term surpluses. During 2019/20, an option appraisal for the use of alternative investment options has been completed and is set out in Appendix 7. This option appraisal has concluded that, given the Authority's planned steep reduction in reserves (resulting from its planned investment in its Capital Asset Strategy and Project 21), then investment options with a time horizon of up to 3 years would suit the Authority's cash profile and maximise returns at an appropriate level of risk.

The 2020/21 strategy reflects the options appraisal exercise broadly maintaining the prudent approach and ensuring that all investments are only to the highest quality rated banks and financial institutions. The appraisal has resulted in short dated bond funds being added to Authority's list of approved instrument for potential future use which will provide the opportunity to increase returns at an acceptable level of risk. The 2020/21 counterparty list for specified and non-specified investment is set out in the Appendices 4 and 6.

The Fire Authority is recommended to approve the 2020/21 investment strategy and note the recommendations made in Appendix 7 to balance investment decisions in the medium to long term with the planned reduction in reserves and balances of the Fire Authority in the next five years. Opportunities to diversify the investment portfolio and improve investment returns by utilising appropriate instruments for up to 3 years will be considered. The Fire Authority should note that any introduction of longer term instruments will result in an increased (but appropriate) level of risk to the investment portfolio.

The Fire Authority to the 31st December 2019 earned £182k in investment interest at an average rate of 0.91%. From benchmarking those returns are broadly consistent to other Local Authorities (Appendix 8).

The background information and the calculation of the Authorised Limit for borrowing for 2020/21 of £14.785m are set out in the attached Appendix 2 (Table 8).

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

The framework in which treasury management operates was revised by the Ministry for Housing, Communities and Local Government (MHCLG) and CIPFA during 2017/18, with full implementation during 2019/20. The changes were largely in response to a growing number of authorities increasing their use of non-financial investments (such as commercial property portfolios) to generate income in response to reducing resources to deliver their core services. The revised codes and guidance sought to increase transparency and to provide a single place to assess the proportionality of this activity in comparison to an authority's core services. This report is fully compliant with the revised requirements, and a new, separate report (The Capital Strategy) is presented as part of the Fire Authority Service Planning Process for 2020/21 & beyond reported elsewhere in this Agenda. The purpose of the Capital Strategy is to drive the Authority's capital investment ambition, whilst also ensuring appropriate capital expenditure, capital financing and treasury management in the context of the sustainable, long term delivery of services.

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

The Treasury Management policy statement for 2020/21 is set out in Section 5

RECOMMENDATION The Fire Authority is recommended to:

(i) approve the treasury management strategy and policy statement for 2020/21 (and adopt for the remainder of 2019/20);

(ii) determine that for 2020/21 the Authorised Limit for borrowing shall be £14.785m;

(iii) adopt the prudential indicators as set out in the attached Appendix 2; and

(iv) approve the Minimum Revenue Provision (MRP) Statement for 2020/21 as set out in the attached Appendix 3.

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1 INTRODUCTION

1.1 The CIPFA Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires authorities to set the Treasury Management Strategy Statement (TMSS) for borrowing and to prepare an Investment Strategy each financial year. CIPFA has defined Treasury Management as:

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

1.2 This strategy takes into account the impact of the Authority's Revenue Budget, Medium Term Capital Programme and the Balance Sheet position. The Prudential Indicators and the outlook for interest rates are also considered within the strategy.

1.3 The Treasury Management Strategy for 2020-21 covers the following areas:

- economic overview (section 2);
- the treasury position (section 3);
- the borrowing strategy to finance the capital plans (section 4);
- the investment strategy(section 5);
- the Minimum Revenue Provision (MRP) strategy (section 6); and
- policy on use of external service provider (section 7);

1.4 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is shown in Appendix 1.

2 ECONOMIC OVERVIEW

2.1 The Authority uses Link Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Table 1 below gives the Link Asset Services central view for short term (Bank Rate) and longer fixed interest rates.

Table 1

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2020	0.75	2.40	3.30	3.20
Jun 2020	0.75	2.40	3.40	3.30
Sep 2020	0.75	2.50	3.40	3.30
Dec 2020	0.75	2.50	3.50	3.40
Mar 2021	0.75	2.60	3.60	3.50
Jun 2021	1.00	2.70	3.70	3.60
Sep 2021	1.00	2.80	3.70	3.60
Dec 2021	1.00	2.90	3.80	3.70
Mar 2022	1.00	2.90	3.90	3.80
Jun 2022	1.25	3.00	4.00	3.90

2.2 Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

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

- Investment returns are likely to remain relatively low during 2020/21 and beyond;
- PWLB borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9 October 2019. The unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. The gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5% and it is therefore unlikely that the authority will do any longer term borrowing until 2021/22 (i.e. there is no benefit in borrowing in advance of need). While the Fire Authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower

investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3 TREASURY MANAGEMENT POSITION

3.1 The Authority's projected treasury portfolio position at 31 March 2020, with forward estimates is summarised in Table 2 below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 2

	2019/20	2020/21	2021/22	2022/23
	Projected	**Estimate**	**Estimate**	**Estimate**
	£000	**£000**	**£000**	**£000**
External Borrowing				
Borrowing at 1 April	10,773	10,773	10,698	11,498
New Borrowing	-	-	1,200	3,500
Loan Redemption	-	(75)	(400)	(481)
Actual borrowing at 31 March	**10,773**	**10,698**	**11,498**	**14,517**
***CFR – the borrowing need**	**10,342**	**9,928**	**11,559**	**14,606**
Under/(over) borrowing	**(431)**	**(770)**	**61**	**89**

**The Authority's Capital Financing Requirement (CFR) is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Authority's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.*

3.2 Within the set of prudential indicators there are a number of key tests to ensure that the Authority operates its activities within well defined limits. One of these is that the Authority needs to ensure that its total borrowing, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current and next two financial years. Due to the timing of the borrowing requirement and MRP, the Authority is expected to be over borrowed until 2021/22, so the Authority is operating within the parameters of this test.

3.3 The CFR forecast at the end of 2019/20 is £10.342m. The Authority is required to repay an element of the CFR each year through a revenue charge called the minimum revenue provision (MRP).

3.4 The Authority has a number of long-term loans and could aim to reschedule these loans if interest rates increase and the premature repayment rates become favourable.

3.5 Any future loans will be arranged giving consideration to the various debt repayment options, including an Equal Instalments of Principal (EIP) arrangement, where each payment includes an equal amount in respect of loan principal. Therefore the interest due with each payment reduces as the

principal is eroded, and the total amount reduces with each instalment.

4 BORROWING STRATEGY

4.1 The net borrowing requirement within Table 2 above shows that, based on current estimates, the Authority will need to consider recommencing borrowing in the short to medium term in order to fund its Capital Strategy. However any future new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts set out above. The Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Policy on Borrowing in Advance of Need

4.2 The Authority will not borrow purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

4.3 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the reporting mechanism.

Prudential & Treasury Indicators

4.4 The Prudential Indicators in the revised Prudential Code 2017 included the following changes from the previous Code:

- Net Debt and the CFR prudential indicator have been updated to Gross Debt and the CFR (this had previously only been updated in the Prudential Code Guidance, 2013).
- The prudential indicator requirement to note the approval of the Treasury Management Code has been removed.
- The prudential indicators for the incremental impact on council tax and housing rents have been removed.

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

Debt Rescheduling

4.6 Rescheduling of current borrowing in the current debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

4.7 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile

and/or the balance of volatility).

4.8 Consideration will also be given to identifying if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

4.9 All debt rescheduling will be agreed by the Treasurer.

Sensitivity of the Forecast and Risk Analysis

4.10 Treasury management risks are identified in the Authority's approved Treasury Management Practices, the main risks to the Authority's treasury activities are:

- liquidity risk (inadequate cash resources);
- market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
- inflation risks (exposure to inflation);
- credit and counterparty risk (security of investments);
- refinancing risks (impact of debt maturing in future years); and
- legal and regulatory risk (non-compliance with statutory and regulatory requirements, risk of fraud).

Officers, in conjunction with the treasury advisers, will monitor these risks closely. Particular focus will be applied to:

- the global economy – indicators and their impact on interest rates will be monitored closely. Investment and borrowing portfolios will be positioned according to changes in the global economic climate; counterparty risk – the Authority follows a robust credit worthiness methodology and continues to monitor counterparties and sovereign ratings closely particularly within the Eurozone.

5 INVESTMENT STRATEGY

5.1 The Authority's investment policy has regard to the MHCLG's Guidance on Local Government Investments (the Guidance), the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Link Asset Services Guidance Notes (including CIPFA TM Code). The Authority's investment priorities will be security first, liquidity second, and then return.

5.2 Appendix 7 outlines the scope and options for alternative investments based on the capital strategy and levels of investment balances available. This option appraisal has concluded that, given the Authority's planned steep reduction in reserves (resulting from its planned investment in its Capital Asset Strategy and Project 21), then investment options with a time horizon of up to 3 years would suit the Authority's cash profile and maximise returns at an appropriate level of risk. Officers in conjunction with the Treasurer will aim to seek additional returns within the approved strategy with regard to security, liquidity and yield.

Changes to Investment Strategy

5.3 It is recommended to add Short Dated Bond Funds to the Authority's current approved options for Investment. They are added to the group of Specified Investments the Authority can use and are explored in detail within Appendix 7 and in summary below.

5.4 Short Dated Bond Funds are designed to produce an enhanced return over and above an Ultra Short Dated Fund. The manager may use a wider range of alternative options to try and generate excess performance. These could include different counterparties, instruments as well as longer dated and a proportion of lower rated investments. The return on the funds are typically much higher, but can be more volatile than Ultra-Short Dated bond funds, so a longer investment time horizon is recommended.

5.5 Investment instruments identified for use in the financial year are listed in section 5.20 and 5.21 under the 'Non-Specified and Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

Credit Worthiness Policy

5.6 Officers regularly review the investment portfolio, counterparty risk and construction, market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets

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

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

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

- Yellow 5 years
- Purple 2 years
- Blue 1 year (semi nationalised UK Bank – NatWest/RBS)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour Not to be used

Y	P	B	O	R	G	N/C
Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yrs	Up to 6 months	Up to 100 days	Not to be used

5.9 The Link Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

5.10 Typically the minimum credit ratings criteria the Authority use, will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

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

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

5.12 The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified investment sections; and
- It has sufficient liquidity in its investments.

5.13 The Link Asset Services methodology was revised in October 2014 and determines the maximum investment duration under the credit rating criteria. Key features of Link Asset Services credit rating policy are:

- a mathematical based scoring system is used taking ratings from all three credit rating agencies;
- negative and positive watches and outlooks used by the credit rating agencies form part of the input to determine a counterparty's time band (i.e. 3, 6, 9, 12 months etc.).
- CDS spreads are used in Link Asset Services creditworthiness service as it is accepted that credit rating agencies lag market events and thus do not provide investors with the most instantaneous and "up to date" picture of the credit quality of a particular institution. CDS spreads provide perceived market sentiment regarding the credit quality of an institution.
- After a score is generated from the inputs a maximum time limit (duration) is assigned and this is known as the Link Asset Services colour which is associated with a maximum suggested time boundary.

5.14 The Link Asset Services colours and the maximum time periods are shown para 5.9 above. In the Link Asset Services methodology if counterparty has no colour then they are not recommended for investment and this would remove these counterparties from the Authority's counterparty list.

5.15 Whilst the Link Asset Services methodology categorises counterparty time limits up to two years, the Authority's policy remains only to make investments up to a maximum of one year.

Country Limits

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

5.17 The UK currently holds an AA sovereign rating. However the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years. The impact of the EU referendum and the path chosen with regard to Brexit could have a bearing on sovereign ratings in the months ahead.

Specified Investments

5.18 An investment is a specified investment if all of the following apply:

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 1 year);
- the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];

- the investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
    - The United Kingdom Government;
    - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; and
    - High credit quality is defined as a minimum credit rating as outlined in section 5.15 of this strategy.

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

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

5.20 Criteria for Specified Investments:

Table 3

Counterparty	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Counterparties in UK				
Debt Management and Depost Facilities (DMADF)	UK	Term Deposits	unlimited	12 months
Government Treasury bills	UK	Term Deposits	unlimited	12 months
Local Authorities	UK	Term Deposits	unlimited	12 months
RBS/NatWest Group • Royal Bank of Scotland • NatWest	UK	Term Deposits (including callable deposits), Certificate of Deposits	£4m	12 months
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK		£4m	12 months
Barclays	UK		£4m	12 months
Santander UK	UK		£4m	12 months
HSBC	UK		£4m	12 months
Goldman Sachs IB	UK	Term Deposits	£4m	12 months
Standard Chartered Bank	UK	Term Deposits	£4m	12 months
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ domiciled	AAA rated Money Market Funds	£4m	Liquidity/instant access
Enhanced Money Market / Cash Funds (EMMFs) VNAV	UK/Ireland/ EU domiciled	AAA Bond Fund Rating	£4m	Liquidity

Non Specified Investments

5.21 Non Specified Investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments are set out in Table 4 below:

Table 4	Minimum credit criteria	Period
Local Authorities	Government Backed	2 years
Mixed Asset Fund(s)	N/A	2 - 5 years
Short Dated Bond Fund(s)	N/A	2 - 5 years
Pooled Property Fund(s)	N/A	5+ years

The maximum amount that can be invested will be monitored in relation to the Authority's surplus monies and the level of reserves, the limit will be

£2.5m across all non specified investments for 2020/21. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Authority will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Treasurer. A detailed list of specified and non-specified investments that form the counterparty list is shown in section 10.

Investment Position and Use of Authority's Resources

5.22 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

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

5.24 The Link Asset Services suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

- 2019/20 0.75%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%

5.25 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

5.26 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates (i.e. rates for investments up to 12 months).

5.27 For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

6 MINIMUM REVENUE PROVISION

6.1 The Authority is required to repay an element of the CFR through a revenue charge (MRP), although it is also allowed to undertake additional voluntary payments if required.

6.2 MHCLG Regulations have been issued which require the Authority to approve an MRP Statement in advance of each year. A variety of options is provided to authorities, so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3.

6.3 The Authority, in conjunction with its Treasury Management advisors, has considered the MRP policy to be prudent.

7 POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

7.1 The Authority uses Link Asset Services as its external treasury management advisors.

7.2 The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

7.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8 UPDATE TO ACCOUNTING REQUIREMENTS

8.1 **IFRS 9 – Financial Instruments**

- **IFRS9 – local authority override – English local authorities**

  The MHCLG enacted a statutory over-ride from 1 April 2018 for a five year period until 31 March 2023 following the introduction of IFRS 9 and the requirement for any capital gains or losses on marketable funds to be chargeable in year. This has the effect of allowing any capital losses on funds to be held on the balance sheet until 31 March 2023, allowing local authorities to initiate an orderly withdrawal of funds if required.

- **IFRS 16 – Leasing**

  The CIPFA Code of Practice and Guidance notes for 2020/21 will incorporate the requirement to account for all leases onto the council's balance sheet. This has the following impact to this paper:

  The Authority's Capital Financing Requirement, authorised limit and operational boundary for 2020/21 onwards has been increased to reflect the estimated effect of this change. These limits can be amended during 2020/21 within the TMSS Mid Year report if the limits

need to be increased following some more detailed work on the leases to be bought onto the balance sheet

- The MRP Policy sets out how MRP will be applied for leases bought onto the balance sheet.

APPENDIX 1

Treasury Management Scheme of Delegation

1. Fire Authority

1.1 In line with best practice, The Fire Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are:

a) Prudential and Treasury Indicators and Treasury Strategy (This report)
The first and most important report covers:

- the capital plans (including prudential indicators);
- the Capital Strategy
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

b) A Mid Year Treasury Management Report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and indicating whether the treasury strategy is meeting the strategy or whether any policies require revision.

c) An Annual Treasury Management Stewardship Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2. The Treasury Management Role of the Section 112 Officer

2.1 The Section 112 (responsible) Officer (the fire service equivalent to the S151 Officer in local government):

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.

3. Training - Treasury Management training for Authority members will be delivered as required to facilitate more informed decision making and challenge processes.

APPENDIX 2

1. The Prudential and Treasury Indicators

1.1 The Fire Authority's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

1.2 **Capital Expenditure**. This prudential Indicator shows the Authority's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. Capital expenditure excludes spend on PFI and leasing arrangements, which are now shown on the balance sheet.

1.3 The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Table 5

Description	**2019/20 Projected**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
	£m	**£m**	**£m**	**£m**
Capital Expenditure	3.064	5.992	6.767	4.461
Financed by:				
Capital receipts	(2.872)	(5.540)	(1.579)	-
Capital grants & Contributions	(0.192)	-	-	-
Revenue Financing	-	(0.452)	(0.452)	(0.452)
Capital Reserves	-	-	(2.708)	(0.500)
Net financing need for the year	**-**	**-**	**2.028**	**3.509**

1.4 The Authority's borrowing need (the Capital Financing Requirement) - The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

1.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

1.6 Following accounting changes, the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought on the balance sheet. Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility and so the Authority is not required to separately borrow for these schemes. The Authority has no finance leases or PFI Schemes.

Table 6

	2019/20 Projected	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Capital Financing Requirement				
	£m	**£m**	**£m**	**£m**
Opening CFR	10.773	10.342	9.928	11.561
Net Financing (as above)	-	-	2.030	3.509
MRP	(0.431)	(0.414)	(0.397)	(0.462)
Closing CFR	**10.342**	**9.928**	**11.561**	**14.608**

1.7 **The Operational Boundary.** This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Table 7

Description	2019/20 Projected	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	**£m**	**£m**	**£m**
Borrowing	10.810	10.396	12.029	15.076
PFI/Leases	-	-	-	-
Total	**10.810**	**10.396**	**12.029**	**15.076**

1.8 **The Authorised Limit for external borrowing**. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all authority's plans, or those of a specific authority, although this power has not yet been exercised; and
- The Authority is asked to approve the following Authorised Limit:

Table 8

Description	2019/20 Projected	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	**£m**	**£m**	**£m**
Borrowing	13.199	12.785	14.418	17.465
PFI/Leases	-	2.000	2.000	2.000
Total	**13.199**	**14.785**	**16.418**	**19.465**

2. Treasury Management Limits on Activity

2.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are

set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

- upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Table 9

Maturity structure of fixed interest rate borrowing 2020/21 All Fire Authority borrowing is at a Fixed Rate			
	Lower	**Upper**	**Actual**
Under 12 months	0%	25%	1%
12 months to 2 years	0%	40%	4%
2 years to 5 years	0%	60%	12%
5 years to 10 years	0%	80%	26%
10 years to 20 years	0%	80%	22%
20 years to 30 years	0%	80%	3%
30 years to 40 years	0%	80%	32%
40 years to 50 years	0%	80%	0%

Table 10

Principle sums invested for periods longer than 365 days			
	2020/21 £m	**2021/22 £m**	**2022/23 £m**
Limit	2.50	2.50	2.50

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

2.2 **Affordability Prudential Indicators -** The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

2.3 **Actual and estimates of the ratio of financing costs to net revenue stream**. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 11

Description	2019/20 Projected	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	%	%	%	%
Ratio	2.33	2.32	2.32	2.72

3. Treasury Management Budget

Table 12

Description	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Interest Payable	0.496	0.496	0.526	0.642
Interest Receipts	(0.075)	(0.075)	(0.075)	(0.075)
Minimum Revenue Provision	0.431	0.414	0.397	0.462
TOTAL	**0.852**	**0.835**	**0.848**	**1.029**

APPENDIX 3

Minimum Revenue Provision Policy Statement

1. Policy Statement

1.1 The statutory requirement for local authorities to charge the Revenue Account each year with a specific sum for debt repayment has been replaced with a more flexible statutory guidance. A variety of options is provided to authorities to replace the existing Regulations, so long as there is a prudent provision.

1.2 The statutory duty is that a local authority shall determine for the financial year an amount of minimum revenue provision (MRP) that it considers to be prudent. This replaces the previous prescriptive requirement that the minimum sum should be 4% of the Authority's Capital Financing Requirement (CFR).

1.3 To support the statutory duty the Government also issued a guidance, which requires that a Statement on the Authority's policy for its annual MRP should be submitted to The Fire Authority for approval before the start the financial year to which the provision will relate. The Authority is therefore legally obliged to have regard to this MRP guidance in the same way as applies to other statutory guidance such as the CIPFA Prudential Code, the CIPFA Treasury Management Code and the MHCLG guidance on Investments.

1.4 The MRP guidance offers four options under which MRP might be made, with an overriding recommendation that The Fire Authority should make prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

1.5 The guidance also requires an annual review of MRP policy being undertaken and it is appropriate that this is done as part of this Annual Treasury Management Strategy.

1.6 The move to International Financial Reporting Standards (IFRS) involves Private Finance Initiative (PFI) contracts and potentially some leases (being reclassified as finance leases instead of operating leases) coming onto the Balance Sheet as long term liabilities. The accounting treatment would impact on the Capital Financing Requirement with the result that an annual MRP provision would be required.

1.7 To ensure that this change has no overall financial impact on Local Authorities, the Government has updated their "Statutory MRP Guidance" which allows MRP to be equivalent to the existing lease rental payments and "capital repayment element" of annual payments to PFI Operators. There are no implications for the Authority's MRP policy.

The policy for 2020/21 is therefore as follows:-

1.8 For capital expenditure incurred before 1 April 2008 or which in the future will be Government Supported Capital Expenditure, the MRP policy will be:

- Based on based on the non-housing CFR, i.e., The Authority currently set aside a Minimum Repayment Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR.

1.9 From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option will be applied for any expenditure capitalised under a Capitalisation Direction).

- Asset Life Method (annuity method) The Authority will also be adopting the annuity method, - MRP calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. The policy is being adopted as a result of any PFI's assets coming on the balance sheet and any related MRP will be equivalent to the "capital repayment element" of the annual service charge payable to the PFI Operator and for leases, MRP will also be equivalent to the "capital repayment (principal) element" of the annual rental payable under the lease agreement. It should be noted that the Authority do not currently have any PFI assets or finance leases.

Under both methods, the Authority has the option to charge more than the statutory MRP each year through a Voluntary Revenue Provision (VRP).

1.10 This approach also allows the Authority to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset becomes operational rather than in the year borrowing is required to finance the capital spending. This approach is beneficial for projects that take more than one year to complete and is therefore included as part of the MRP policy. Half-yearly review of the Authority's MRP Policy will be undertaken and reported to Members as part of the Half-yearly Treasury Management Strategy review.

APPENDIX 4

Illustrative list of Approved Countries for Investments

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

AAA

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

AA

- U.K.

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

APPENDIX 5

Economic Overview

Provided Link Assets Services (our Treasury advisors) December 2019

1. The UK

1.1 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the general election on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

1.2 GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

1.3 While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

1.4 The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC

were concerned that “domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term”.

1.5 As for inflation itself, CPI has been hovering around the Bank of England’s target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

1.6 If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

1.7 With regard to the labour market, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

2. Link Asset Services forward view December 2019

2.1 The interest rate forecasts provided by Link Asset Services in Table 1 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

2.2 In the event of an orderly non-agreement exit in December 2020, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

2.3 If there were a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

2.4 **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

2.5 One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

2.6 **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

2.7 **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

APPENDIX 6

Counterparty list Banks	Country	Fitch Ratings				Moody's Ratings		S & P Ratings		CDS Price	Fire Authority Duration	LAS Duration Limit	Money Limit
		L Term	S Term	Viab.	Supp.	L Term	S Term	L Term	S Term		(Months)	(Months)	(£m)
Lloyds Banking Group:													
Lloyds Bank Plc	UK	A+	F1	a	5	Aa3	P-1	A+	A-1	33.66	12	12	4
Bank of Scotland	UK	A+	F1	a	5	Aa3	P-1	A+	A-1	33.76	12	12	
RBS/NatWest Group:													
NatWest Bank	UK	A+	F1	a	5	A1	P-1	A-	A-1	-	12	12	4
Royal Bank of Scotland	UK	A+	F1	a	5	A1	P-1	A-	A-1	-	12	12	
Other UK Banks:													
HSBC Bank	UK	A+	F1+	a	1	AA-	P-1	AA-	A-1+	28.59	12	12	4
Barclays Bank	UK	A+	F1	a	5	A1	P-1	A	A-1	44.33	6	6	4
Santander UK	UK	A+	F1	a	2	Aa3	P-1	A	A-1	-	6	6	4
Goldman Sachs IB	UK	A	F1	-	1	A1	P-1	A+	A-1	50.53	6	6	4
Standard Charted Bank	UK	A+	F1	a	5	A1	P-1	A	A-1	27.99	6	6	4

For colour codings refer to Para. 5.9

APPENDIX 7

Summary of options appraisal for Treasury Management Investment & Borrowing

1 Background

1.1 Many Local Authorities are facing significant financial challenges, and are exploring alternative investment options, creating revenue savings in the treasury management budget to support the delivery of services.

1.2 During 2019/20, officers have undertaken an options appraisal to determine whether there was scope to invest in alternative investment options. This appendix summarises the main points, and provides recommendations for the course of action for the authority.

2 Current Strategy & Performance

Investment Strategy & Cash Balances

2.1 Historically, the authority's investment portfolio has been highly liquid. During 2018/19 opportunities were undertaken to increase the investment duration of the portfolio to reduce liquidity and improve the yield. Funds have instead been diverted to longer dated notice accounts and the authority has also recently commenced investments with other local authorities to allow diversification within the portfolio: increasing security whilst also providing a competitive yield.

2.2 The authority's investment balances at the end of December 2019 was £24.3m, earning an average investment rate of 0.89%.

Borrowing Strategy & Cash Balances

2.3 External borrowing as at 31 December 2019 was £10.8m, with maturities spread over the next 2 – 40 years. No additional borrowing has been undertaken since January 2008, and no opportunities to restructure the portfolio have arisen. The average rate of the portfolio is currently 4.60%, resulting in an annual borrowing cost of £0.5m.

3 Impact of Medium Term Financial Plan

3.1 The Authority's investments are effectively surplus cash resulting from its reserves and balances as well as the timing of the authority's income and expenditure (the working capital). Additionally, the level of investments is affected by the timing of borrowing undertaken to support the capital programme. The authority's Medium Term Financial Plan (MTFP) is key in defining the expected capital expenditure and the use of reserves, which in turn defines both the authority's borrowing requirement as well as the level of cash expected to be available to invest over the medium term.

3.2 The proposed MTFP will impact the treasury management strategy in the following ways:

- Table 1 demonstrates the Authority's capital investment plans result in the reduction of reserves balances from £19.8m to approximately £2.1m within the next three years. This is a substantial reduction of cash balances available for investment in the long term;

- The Capital Strategy is expected to deliver £27.1m of spend from 2019/20 to 2024/25, which includes £10.5m of borrowing requirement between 2021/22 and 2024/25. The funding of this requirement will need to be carefully considered.

Table 1 – Forecast of reserves levels to 2024/25

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Earmarked Reserves	10,681	4,097	628	249	249	249
General Fund	1,959	1,862	1,862	1,862	1,862	1,862
Capital Reserves	7,119	1,579	0	0	0	0
Total Useable Reserves	**19,759**	**7,538**	**2,490**	**2,111**	**2,111**	**2,111**

4 Appropriate Alternative Investment Options

4.1 The appropriateness of local authority investment options will vary from authority to authority, and will depend on an authority's size, individual financial position, capital expenditure plans and risk appetite. The time horizon of cash available for investment is crucial in identifying suitable instruments. Different asset classes have different lengths of cycles, with the capital value of some asset classes being more volatile than others. As such, a minimum investment period is suggested for each type, to allow investors to endure typical cycles of capital losses and gains of the investment type. It is necessary to therefore match appropriate investment types according to authority's expected investment time horizon.

4.2 Table 2 below outlines the available balances to invest after taking into account the reduction of reserves levels and the expected timing of entering into external borrowing to support the capital programme:

Table 2 – Forecast level of cash available to invest in each year and cash requirement

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Total Useable reserves *(per table 1)*	19,759	7,538	2,490	2,111	2,111	2,111
Working Capital surplus	500	500	500	500	500	500
(Under)/Over borrowing position *(per table 2, section 3 of report)*	431	770	(61)	(89)	(59)	(48)
Total cash available for investment	**20,690**	**8,808**	**2,929**	**2,522**	**2,552**	**2,563**
Expected increase/(reduction) of cash		**(11,882)**	**(5,879)**	**(407)**	**30**	**11**

4.3 The fire authority's reserves are on a steep downward trend as a result of the capital investment plans of the authority. Forecast reserves balances are expected to reduce to just £2.111m within 3 years, of which 88% is the authority's general fund balance. Given that the general fund balance is held to fund unforeseen expenditure, it would not be appropriate to tie this up in long dated and illiquid investments.

4.4 From 1 April 2023, local authorities will be required to post any losses caused by revaluation of financial instruments at 31 March each year to its revenue account. Therefore, before any investment is undertaken in an instrument which value can change up or down (such as pooled investment vehicles), the extent to which an authority's reserves can shield against potential impairments should be carefully considered. Being a small authority with reducing balances, the fire authority holds very low balances in its MTFP to safeguard the revenue budget from capital losses.

4.5 Table 2 demonstrates that the authority's investment time horizon is around 2-3 years. The following sections appraise a range of longer term investment options available to the authority.

Pooled Property Funds

4.6 A pooled fund is an investment vehicle which maintains a portfolio of properties for a pool of investors. When investing in any type of pooled fund, investors benefit from a lower entry level (i.e. can invest on a much smaller scale compared to direct investment). Additionally there is a much greater level of diversification across sectors and geographical areas than investors could achieve through direct property investments and investors also benefit from the sharing the risks of property investment with other investors. The income of pooled property funds (in the current market) is around 4%.

4.7 There are risks and costs associated with investing with property funds. The assessment of these risks can be made against the authority's own financial position as to whether they are acceptable.

- There is a wide pricing spread between entering and exiting a fund, which is effectively a fund's "exit fee". An authority is dependent on capital appreciation of the fund to mitigate and wipe out this exit cost. If it can't, it may incur a loss if cash is required.
- Property is an illiquid asset, and a fund is able to close its "gates" to investors exiting if they cannot reflect changes in the portfolio quickly enough. Therefore it is not advised to invest cash that may be required over the medium term as the authority may be forced to borrow to fund cash requirements.
- The capital values of property are likely to fluctuate with changes in the property market. A downturn in the property market could result in net negative yields and/or the crystallisation of a loss if this coincided with the authority needing the cash back. Even if the authority didn't require the cash, after 2022/23, there would need to be sufficient reserves levels to protect the revenue position from potential falls in capital valuations at the year end.

4.8 Due to these issues, the minimum investment horizon of property funds is typically 5-7 years, which does not align with the available investment time horizon with the fire authority and is therefore not recommended as an appropriate investment option at this time.

Multi Asset & Diverse Income funds

4.9 A fairly recent development within UK fund management is mixed-asset funds. These are pooled investment vehicles that invest in a combination of different asset classes,

such as bonds, equity and property. Funds are usually well diversified across a number of markets and sectors, which are designed to spread the risk of the portfolio efficiently, whilst benefiting from creating income from a wider range of instruments. Ideally, the assets in a multi-asset fund are either uncorrelated or negatively correlated, so it can withstand a downturn in one market with a corresponding growth in another.

4.10 Each fund operates very individual strategies and fund objectives. It is important to understand the investment objectives and the impact on the underlying investments before investing. This is particularly important in understanding the level of correlation of the underlying assets of the fund, and the exposure to different asset classes and sectors.

4.11 Multi asset funds operate in one of three brackets, which define the level of equity that a fund can carry (0%-35%; 20%-60%; 40%-85%). Broadly speaking, the higher level of equity within the fund, the higher the yield, but in turn the higher level of volatility of the fund. This results in the suggested investment time horizons for these funds being longer than those with a lower proportion of equity.

4.12 Whilst multi asset funds provide a wide diversification, due to the exposure to equity markets, even the most conservative funds (i.e. those containing between 0-35% of equity) have a suggested investment horizon of 3-5 years. Additionally, these fund types have only been operating for around 5-6 years, so the volatility and potential losses have not been fully tested in adverse market conditions. Similarly to pooled property funds (but to a lesser extent), these risks are not aligned with the reserves levels and investment time horizon of the fire authority, and therefore not recommended as an appropriate investment at the current time.

Short Dated Bond Funds

4.13 Short Term Bond funds are pooled investment vehicles which invest in a mixture of corporate and government bonds and other fixed income debt type instruments. Generally, bond markets are less exposed to market volatility than equity markets. Additionally, being short term (i.e. 3 years or less) in nature, short dated bond funds are less sensitive to interest rate movements than longer dated funds. Short dated bond funds are therefore typically less volatile than equity funds and mixed-asset funds. This lower volatility means that the investor is taking less risk so is usually rewarded with a lower yield than those fund types as a result.

4.14 The suggested minimum investment durations range typically from 12-18 months to 2-3 years, depending on the strategy of each fund. Longer dated funds tend to be more volatile reflected generally by a higher yield for the longer dated funds. Returns range from approximately 0.75% to 4% depending on the fund.

4.15 Many of these funds do not have a credit rating, and all operate very different investment strategies and objectives (including the quality of the debt they can invest in), so it is very important to understand the investment objectives and the impact on the underlying investments before investing.

4.16 The suggested time horizon for up to 3 years makes this investment instrument suited to the authority's cash profile. Additionally, whilst some level of volatility is expected with short dated bond funds, these funds are typically less volatile than mixed-asset or

property funds and would mean that the authority would have a lower potential exposure capital losses if withdrawing cash to meet cash requirements.

4.17 If short dated bond funds are an attractive prospect for the authority, then it is advisable to determine an appropriate level of expected long term reserves which a) would not be required for cash and b) that the general fund balance can support in terms of potential losses. It is recommended that an appropriate level would be no more than £300k.

Longer Term LA Investments

4.18 There is a very active market of borrowing and lending between local authorities. Since HM Treasury increased PWLB rates by 1% in October 2019, some local authorities that borrow have been actively looking for longer term borrowing. The Fire Authority could lend some of its cash to other Local Authorities for 2-3 years, achieving 1.50% to 1.80%. Whilst this is a small increase in yield for locking cash away for much longer, the authority is effectively paying for the security of another LA.

4.19 If the authority would prefer a more modest increase to the investment yield to reflect taking on less risk, then it could lend up to £1m for two years, or £500k beyond 2 years. The issue would be finding a borrower that would be able to pay the same interest rate for a small loan – the higher yield inter-authority loans are usually of a size of £1-5m or more.

5 Other TM budget options to provide savings

5.1 Investing in any of the pooled funds as outlined above would impact on the authority's risk appetite as it increases the authority's counterparty and interest rate risk compared to its current profile and portfolio. As a time where the investment balances are forecast to decline very quickly, it also creates the risk of needing cash from a long term investment at a time where a capital loss could be incurred.

5.2 There are other ways in which the treasury management can provide savings without increasing the risk profile of investments.

Internal Borrowing

5.3 The difference between investment rates and borrowing rates have widened as a result of the PWLB increase in rates. The authority can chose to borrow cash from its own reserves to fund some of its borrowing requirement as opposed to borrowing it externally from banks or the PWLB. This reduces the investment portfolio and is therefore an effective way of reducing counterparty risk as well as reducing revenue costs; this strategy saves the cost of carrying debt by effectively reducing the portfolio earning approximately 1.00% in investment returns and avoiding taking on new debt which would cost approximately 2.80%.

5.4 This strategy is usually only suitable when an authority has long term reserves that it is fairly certain won't be called upon. As this Authority has declining reserves, with the only long term reserves being made up mainly of the general balance, this is not a recommended approach for the fire authority. It will be at significant risk of being a "forced borrower" – that is, needing to borrow at a point in the future to fund cash requirements, where it is forced to take on the prevailing market rate at the time. This strategy will be kept under review though, as it may be appropriate to have some level

of internal borrowing if it were thought that interest rates were to fall, in order to take advantage of a lower cost of borrowing.

Shorter Term Borrowing

5.5 Another way of minimising the cost of borrowing it to explore the use of short term borrowing to fund some of the authority's debt requirement. Short term borrowing tends to be cheaper than long term borrowing, and there is a very active market among local authorities to lend to each other.

5.6 When entering into external borrowing, the maturity profile of the new borrowing will need to consider the length of time the authority is expected to require the borrowing. Shorter term borrowing can be used effectively if the authority does not expect to hold a significant ongoing capital programme to be funded by borrowing, as in this scenario, there is a risk of the authority becoming over-borrowed, and holding borrowing it doesn't need in future years.

5.7 Whilst this opportunity has not yet been fully explored, officers will be working to minimise the cost of borrowing when looking at sources of funding and the on-going need for debt over the next year.

6 Summary & Recommendations

6.1 Officers will explore whether the long term capital needs of the authority will allow for this shorter term borrowing to be utilised, reducing the revenue cost for the authority.

6.2 Due to the declining cash position of the authority over the next 5 years, the scope to use the investment portfolio to provide revenue savings for the authority is limited. Putting too much cash out for too long may put the authority at risk in the future of having to either take out cash from a long term investment at a times where it could crystallise a loss, or be forced to borrow to fund cash flow requirements, but which would come at a revenue cost.

6.3 If longer term investments remained an attractive opportunity, then it is recommended that a short dated bond fund is explored further. The suggested time horizon of this instrument matches the authority's time horizon, and a level of historical volatility that the authority's reserves levels may be able to protect against. As such, an investment of this type would balance an increased investment income for the authority with an appropriate level of risk for the authority's investment time horizon. If this option is explored further, more work will be undertaken on ensuring any potential losses are modelled and within an acceptable level of risk for the authority.

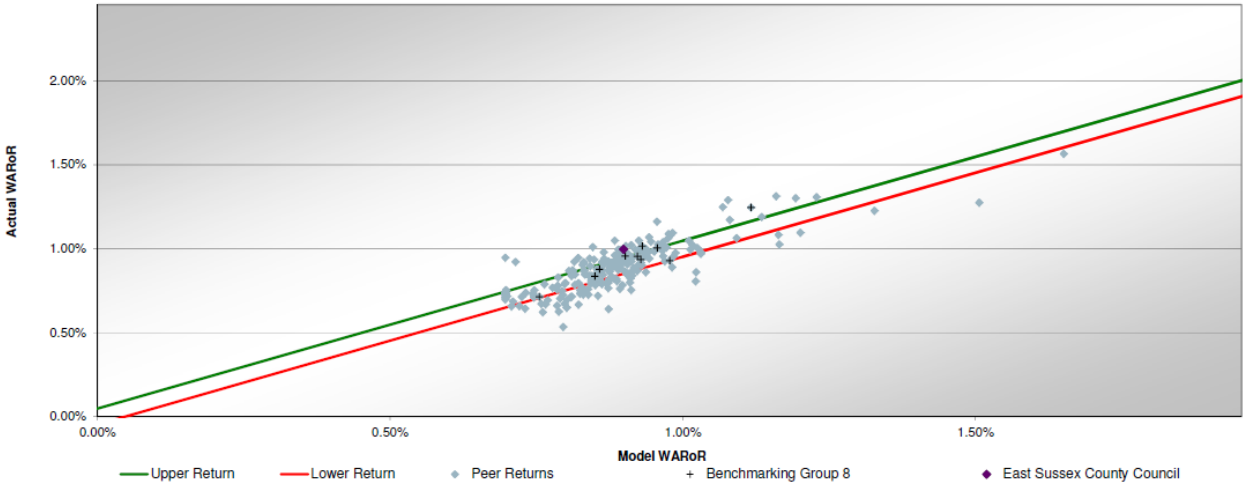
APPENDIX 8

Investment Benchmarking

1 Investment Benchmarking

1.1 The Authority has access to Investment benchmarking results from its Treasury Advisors Link Asset Services (LAS). Officers attend two annual meetings to review performance and compare to peers within the South East Region (group 8).

1.2 Local Authority Investment benchmarking returns to September 2019.



1.3 The cluster graph above shows that the rate of return grouping for Local Authorities is within a range of 0.75% -1.00 which is broadly consistent with returns achieved by this Authority. As at December 2019 £182k was earned in investment interest at an average rate of 0.91%.

1.4 Fire Authority Investment returns 2019/20 to date:

2019/20	Return (%)	Base Rate (%)	+/- (%)
April	0.96	0.75	+0.21
May	0.97	0.75	+0.22
June	0.95	0.75	+0.20
July	0.90	0.75	+0.15
August	0.87	0.75	+0.12
September	0.97	0.75	+0.22
October	0.91	0.75	+0.16
November	0.88	0.75	+0.13
December	0.89	0.75	+0.14

1.5 There is no readily available benchmarking specifically for Fire Authorities but a review of publicly available data for a small sample indicates investment returns of between 0.60 – 1.00% over the last 18 months which is broadly consistent both with the Local Authority benchmarking above and the investment returns achieved by this Authority.

APPENDIX 9

Investment Product Glossary

Bank / Building Society: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Bank / Building Society Secured (Covered Bonds): These investments are secured on the bank's assets, which limit the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

Corporate Bonds: Bonds issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Enhanced Cash / Ultra Short Dated Bond Funds: Funds designed to produce an enhanced return over and above a Money Market Fund. The manager may use a wider range of alternative options to try and generate excess performance. These could include different counterparties, instruments as well as longer dated investments.

Equity Fund: Equity funds are pooled investment vehicles that will focus investments primarily in UK equities.

Government: Loans, bonds and bills issued or guaranteed by UK government, local authorities and supranational banks. These investments are not subject to bail-in, and there is a minimal risk of insolvency.

Money Market Funds: An open ended fund that invests in short term debt securities, offers same-day liquidity and very low volatility.

Mixed Asset Funds: Rather than focus on a particular asset class, these funds will look to invest across a broader range of classes in an effort to provide investors with a smoother performance on a year-to-year basis. Primarily, the asset classes will be equities and fixed income, but the latter will include both corporate and government-level investments.

Pooled Property Funds: Shares in diversified property investment vehicles. Property funds offer enhanced returns over the longer term, but are more volatile in the short term. The funds have no defined maturity date, but are available for withdrawal after a notice period

Short Dated Bond Funds: Funds designed to produce an enhanced return over and above an Ultra Short Dated Fund. The manager may use a wider range of alternative options to try and generate excess performance. These could include different counterparties, instruments as well as longer dated and a proportion of lower rated investments. The return on the funds are typically much higher, but can be more volatile than Ultra-Short Dated bond funds, so a longer investment time horizon is recommended.

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EAST SUSSEX FIRE AUTHORITY

Meeting	Fire Authority
Date	13 February 2020
Title	Pay Policy Statement for 2020/21
By	Hannah Scott-Youldon, Assistant Director – People Services
Lead Officer	John Olliver, Interim Payroll Manager
Background Papers	None
Appendices	Appendix 1 – Pay Policy Statement

Implications:

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

Purpose of Report	To approve the Fire Authority's Pay Policy statement for the period 1 April 2020 to 31 March 2021.
EXECUTIVE SUMMARY	The Localism Act 2011 imposes a duty on relevant local authorities to prepare pay policy statements for each financial year, beginning with 2012/13. The statement must be approved by 31 March 2020.
RECOMMENDATION	The Fire Authority is asked to approve the Pay Policy Statement set out in Appendix 1.

1 **BACKGROUND**

1.1 Section 38 of the Act places a requirement on a relevant authority (which term includes a Combined Fire Authority) to prepare a pay policy statement for the financial year 2012-13 and each subsequent financial year. A pay policy statement must set out the authority's policies for the financial year relating to:

- The remuneration of its chief officers

- The remuneration of its lowest paid employees
- The relationship between the remuneration of its chief officers and that of other employees who are not chief officers.

1.2 The statement must include the definition of 'lowest paid employees' adopted by the authority for the purposes of the statement, together with the authority's reasons for adopting that definition.

1.3 The statement must include the authority's policies relating to:

- The level and elements of remuneration for each chief officer
- Remuneration of chief officers on recruitment
- Increases and additions to remuneration for each chief officer
- The use of performance-related pay for chief officers
- The use of bonuses for chief officers
- The approach to the payment of chief officers on their ceasing to hold office under or being employed by the authority, and
- The publication of and access to information relating to the remuneration of chief officers.

A new performance related pay system for Principal Officers has been implemented following a period of consultation and agreed by the Fire Authority.

The authority must comply with its Pay Policy Statement for the financial year when making any determination relating to the terms and conditions of a Chief Officer. The Policy can be amended by the Fire Authority at any time throughout the financial year to which it relates.

1.4 The term remuneration in relation to a chief officer is defined by the Act as:

- The chief officer's salary or, in the case of a chief officer engaged by the authority under a contract for services, payments made by the authority to the chief officer for those services
- Any bonuses payable by the authority to the chief officer
- Any charges, fees or allowances payable by the authority to the chief officer
- Any benefits in kind to which the chief officer is entitled as a result of the chief officer's office or employment
- Any increase in or enhancement of a chief officer's pension entitlement where the increase is as a result of a resolution of the authority, and
- Any amounts payable by the authority to the chief officer upon the chief officer ceasing to hold office under or being employed by the authority, other than amounts that may be payable by virtue of any enactment.

1.5 The Act prevents approval of a pay policy statement being delegated by the Authority to a Panel. The Fire Authority's first pay statement was approved and published in accordance with the guidance by 31 March 2012.

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

1.6 The Authority is asked to approve the Statement attached as Appendix 1, which has been drawn up with due regard to all relevant guidance and previous statements. Changes to the presentation reflect our experiences since the pay policy came into force and keeping under review other examples.

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Appendix 1

Pay Policy Statement 2020/21 Introduction

The Pay Policy Statement set out below has been compiled in accordance with Sections 38 to 43 of the Localism Act 2011. The Act requires East Sussex Fire Authority to publish a Pay Policy Statement for each financial year. The information contained in this Statement is based on the pay position of employees as at 31 December 2019 unless otherwise stated. The purpose of a Pay Policy Statement is to provide information to the public on the pay arrangements that apply to employees of the Authority, including the Chief Fire Officer and his direct reports. The Statement also includes information on how decisions to set or change pay are made.

Structure of the Workforce

As at 31 December 2019 the Authority employed 816 people (683 full-time equivalents or FTEs). These employees span various pay groups which perform a variety of roles and have different patterns of working to meet service delivery needs. In its simplest form these are employees who either have an operational role (firefighters working on fire stations, control operators and technical staff working in specialist areas) or those who provide administrative and corporate functions such as finance, information technology governance and human resources.

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

Number of FTE Staff Employed by Category as at 31 December 2019:

Staff Group	Definition	Number of Staff in Group
Wholetime Firefighters	Firefighters who work 42 hours a week to crew stations 24 hours a day either as firefighters located at the station, or as firefighters located at the station during the day and responding from their own homes on an on-call basis at night, or who work in specialist areas such as Technical Fire Safety.	358
East Sussex Fire Control	Staff who receive 999 calls.	26
On-Call Firefighters	A duty system where firefighters respond from their own homes or workplaces located near to the fire station on an on-call basis.	139
Support Staff	Staff who typically do not wear a uniform and work in administrative and professional support functions.	156
Community Support Front Line	Specialist staff who provide fire and road safety prevention advice and offer home safety services and specialist advice for those more at risk.	16
Principal Officers/ Statutory Officers	Principal Officers comprise the Chief Fire Officer, Deputy Chief Fire Officer, and Assistant Chief Fire Officer.	3

Pay Policy

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

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

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

Local Variations to Pay and Conditions of Service

The national pay agreements and the terms and conditions constitute a minimum standard but it is acknowledged that these can be modified through local negotiation to reflect local needs. There is a mechanism in place to agree such changes.

A new performance related pay system for Principal Officers has been implemented following a period of consultation and agreed by the Fire Authority.

The levels of redundancy pay provision for Operational and Support staff within the Service requires clarification. We will be working on a new policy that covers all employees during 2020.

The method that should be used to protect pay for those emplyees who have been down graded also needs to be clarified. This will aslo be worked on in 2020 and reported accordingly.

The Fire Authority will be informed of any national changes to the pay or terms and conditions of all other employees.

Pay Structure

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

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

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

Although the planned The pay and grading structure review project could not be undertaken in 2019, our Strategic Workforce Plan will incorporate this in 2021.

Pay Awards

An annual pay increase is awarded based on the outcome of the relevant national pay negotiation process. Based upon the decisions taken at a national level by the NJCs relevant to this Authority, the Authority's Green Book staff received a pay award of 2%, applicable from 1 April 2019, except for those on salaries starting below £26,861 per annum who received an increase of between 3.35
3.35% & 3.62%, and Grey Book Staff also received a 2% award, effective from 1 July 2019.

Principal Officers were awarded a 2.0% increase on 2018 basic salary levels with effect from 1st January 2019, rising to a 3.0% increase on 2018 basic salary levels with effect from 1st October 2019.

The second part of this increase arose from the newly agreed performance related pay system. Each PO is established within a five point salary scale and has been granted scale point 2 as shown in the table below.

Principal Officer Pay Grades

Role	Scale Point 1	Scale Point 2	Scale Point 3	Scale Point 4	Scale Point 5
Chief Fire Officer	£145,074	£147,074	£148,440	£149,806	£151,172
% age +		1.38%	0.93%	0.92%	0.91%
Deputy Chief Fire Officer	£117,765	£118,869	£119,973	£121,077	£122,181
% age +		0.94%	0.93%	0.92%	0.91%
Assistant Chief Fire Officer	£109,549	£110,575	£111,603	£112,630	£113,657
% age +		0.94%	0.93%	0.92%	0.91%

How are Grades and Roles Determined?

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

Pension Arrangements

The Authority currently administers four occupational pension schemes. There are three schemes for firefighters: the Firefighters' Pension Scheme 1992 (FPS) (closed to new entrants from April 2006), the New Firefighters' Pension Scheme 2006 (NFPS) (closed to new entrants from April 2015) and the Firefighters' Pension Scheme 2015 for new entrants. The employee contribution rates effective from 1 April 2015, determined by statute, currently range from 11.0% to 17.0% for the FPS, 8.5% to 12.5% for the NFPS and 11% to 14.5% for FPS 2015, depending on salary level. Employer contribution rates are 37.3% (FPS), 27.4% (NFPS) and 28.8% of core pensionable pay from 1 April 2019.

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

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

Generally these discretions lead to enhanced benefits to scheme members, but result in an additional strain on the pension fund.

As at 31 December 2019 no discretions have been awarded under the schemes.

Green Book staff are auto-enrolled onto the Local Government Pension Scheme (LGPS). The employee contribution rates for this scheme currently range from 5.5% to 12.5% depending on salary level. The employer contribution rate is 17.75 for tax year 2019/2020 and a cash payment of £247,000.

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

The Local Government Pension Scheme (LGPS) is a statutory scheme. The rules and regulations governing the schemes are laid down by the Government.
There are some provisions of the Scheme that are discretionary. Discretionary powers allow employers such as East Sussex Fire Authority to choose how, or if, they apply certain provisions.

Generally these discretions lead to enhanced benefits to scheme members, but result in additional costs which fall to the Authority and not to the pension scheme.

As at 31 December 2019, no discretions have been awarded under the new scheme.

Senior Officers

The Authority is required to publish information relating to the pay of its most senior employees, which are defined as those employees whose annual salary is £50,000 or more. Information regarding those employees who influence the decisions of the Fire Authority as a whole (i.e. those officers who are members of the Senior Leadership Team and the number of employees whose annual salary is £50,000 or more is published on an annual basis in the Authority's Statement of Accounts.

Post	**FTE Salary**	**Notes**
Chief Fire Officer	£147,074	Car provided
Deputy Chief Fire Officer	£118,869	Car provided
Assistant Chief Fire Officer	£110,576	Car provided

Assistant Director – Operational Support & Resilience	£59,565	Response car provided plus 20% flexible duty system allowance & CPD payment
Assistant Director – Safer Communities	£59,565	Response car provided plus 20% flexible duty system allowance & CPD payment.
Lead Transport & Engineering Advisor	£60,599	Appointed June 2019 – Post funded jointly by Integrated Transport Function (ITF) Partners
Assistant Director – Human Resources, Organisational Development, Training & Assurance	£54,303	Response car provided plus 20% flexible duty system allowance
Assistant Director – Planning & Improvement	£62,417	Eligible for lease car provision (not taken)
Assistant Director – Resources / Treasurer	£79,370	Eligible for lease car provision (not taken)
ITG Manager	£51,313	Additional £5,500 extra responsibility allowance is currently paid on this role
Strategic Engineering Manager	£57,920	Lease car provision (eligible due to mileage)
Finance Manager	£57,920	
Group Manager (8 of)	£51,275	
Strategic Community Safety Manager	£51,313	
Strategic Health, Safety & Wellbeing Manager	£51,313	

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

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

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

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

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

The table below sets out the difference between the pay of the highest paid employee (the Chief Fire Officer) when compared to the average pay of all other employees. The information illustrates that the Chief Fire Officer's pay is (4.74) times more than the average pay of a competent Firefighter role as at 31 December 2019. This differential is £115,930.

The pay award for the Principal Officers was a 2.0% increase on 2018 basic salary levels with effect from 1st January 2019, rising to a 3.0% increase on 2018 basic salary levels with effect from 1st October 2019.

As described under the "Pay Award" section of this appendix all Principal Officers are now managed within their respective five point salary scale.
This replaces the Gold Book "dual tracked" approach, where cost of living and performance related increases were scheduled for different times of the year.

The delay in implementing this new scheme, resulted in the PO's missing a review in 2017/18 which gives the appearance that their increases are higher than expected.

	December 2016	December 2017	December 2018	December 2019
Chief Fire Officer	£138,663	£140,050	£142,864	147,074
Mean Salary	£29,638	£29,934	£30,533	31,144
Ratio	4.68	4.68	4.68	4.72

This ratio is calculated by dividing the Chief Fire Officer's pay by the Competent Firefighter annual salary (excluding secondary contracts) at 31 December 2019.

The Authority's Definition of 'Lowest Paid' Employees

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

Re-Engagement of Employees

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

The regulation for the rehire of any employee who has previous been made redundant by the Authority will addressed in the new redundancy policy as mentioned above.

Occasionally, due to the specialist nature of the Fire Service, specialists or experts may be called in under a contract for consultancy services.

Gender Pay Gap Reporting

In 2020 the Fire Service is required by Government to submit our first return for this.

Will will display this data in future year to plot our progress and compare against national the average for other Fire Authorities when available.

EAST SUSSEX FIRE AUTHORITY

Panel	Fire Authority
Date	13 February 2020
Title of Report	Firefighter Pension Schemes
By	Judith Sarpong, Pensions Advisor, ESFRS
Lead Officer	Hannah Scott-Youldon, AD (HR, OD, Training & Assurance)

Background Papers None

Appendices

1. Updated Terms of Reference (Appendix 1)
2. Breaches of Law Policy and Guidance (Appendix 2)
3. Local Pension Board Training Policy (Appendix 3)

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

PURPOSE OF REPORT

To inform the Fire Authority that following recommendations in The Pensions Regulator's Governance and Administration survey 2017 and the Scheme Advisory Board's survey of local boards, the Authority's Firefighters' Pension Scheme Local Pension Board has updated its current Terms of Reference, particularly around frequency of meetings, reporting requirements and length of term for members.

To inform the Fire Authority about The Pension Regulator's requirement for Local Pension Boards to have:

- procedures and policies in place to ensure the correct treatment of breaches of law; and
- access to all the knowledge, understanding and skills necessary to properly run and govern the scheme.

RECOMMENDATION The Fire Authority is asked to note and approve the:

i. updated Pension Board Terms of Reference (TOR);

ii. new Breaches of Law Policy and Guidance; and

iii. new Pension Board Training Policy.

1 INTRODUCTION

1.1 In February 2015, members of East Sussex Fire Authority were advised of the requirements of the Public Service Pensions Act 2013 and asked to approve a Terms of Reference (TOR) for its Firefighter Pension Schemes' (FPS) Local Pension Board (LPB). The approved TOR has remained in place to date.

1.2 In February 2018, the Scheme Advisory Board (SAB) published a report detailing the results of their LPB Survey carried out between November 2017 and January 2018 – which received responses from 32 (not including this Authority) out of 44 Fire and Rescue Authorities (FRAs). The results generated a requirement for the current TOR to be updated.

1.3 Therefore, this report is firstly designed to show the recommendations made by the SAB following the survey and how the Authority's current TOR has now been updated and reviewed by the Pension Board to reflect its adherence to the recommendations.

1.4 The Pensions Regulator (TPR) requires breaches of the law to be reported to them where an Authority has reasonable cause to believe that:

- a legal duty relevant to the administration of the scheme has not been or is not being complied with: this could relate for instance to keeping records, internal controls, calculating benefits and, for funded schemes, includes investment governance and administration matters; and
- this failure to comply is likely to be of 'material significance' to TPR.

TPR stipulates that Authorities should have adequate policies and procedures that enable breaches to be considered and reported.

1.5 As such, this report is also designed to show what the Authority is doing to comply with TPR's requirements and the policy required to guide decisions taken by the Authority and the Board in achieving rational outcomes when considering breaches of the law.

1.6 In the 2018 Public Service Governance and Administration Survey carried out by TPR, 98% of FPS' reported to have procedures to enable access to all the knowledge, understanding and skills necessary to properly run the scheme, this had risen from 36% in 2015. The results showed that half the boards (54%) rated lack of resources or time as one of their top three barriers to improving scheme governance and 77% evaluated the understanding and skills annually but only 31% evaluated more often.

1.7 Due to the findings of the survey, TPR stated that Boards needed to have a robust plan to ensure that regular evaluation took place of the skills needed to run the scheme properly, particularly for boards with a high turnover. They also stated the importance of identifying whether the skills level is split evenly or if the board relied on a particular individual as this could feed into the risk matrix.

1.8 Hence, this report is lastly designed to show what the Authority is doing to comply with TPR's requirements in relation to standards surrounding the knowledge, skills and understanding of Pension Board members and the policy required to guide the Pension Board to govern the scheme correctly.

2 RECOMMENDATIONS MADE BY THE SAB FOLLOWING THEIR FPS LPB SURVEY AND DETERMINATION BY THE AUTHORITY'S PENSION BOARD

2.1 Recommendation on Board Meetings:

Although the minimum number of meetings is not specified in legislation, the Committee (i.e., the SAB's LPB Effectiveness Committee) consider that four meetings per year is good practice to allow monitoring of statutory requirements and to identify breaches in a timely manner.

Board Determination: The Board agreed that four meetings in a year is good practice and that the minimum number of meetings stipulated in the current TOR should now be increased from two to three per year. The new TOR now reflects the agreed changes.

2.2 Recommendation on Board Membership and Term of Office:

While the number of members on a board is not of concern providing the minimum legislative requirements are met, turnover of membership and the associated challenge of maintaining members' knowledge and understanding is a potential risk. Therefore, it is recommended by the Committee that boards consider reviewing their Terms of Reference to set out aspirational terms for members, in particular extending the tenure for the board chair to a minimum two year term, to consider how they can achieve levels of consistency, while benefiting from occasional new members who would offer fresh ideas and challenges. The selection and nomination procedures should also be amended to include how appointments are both made and removed.

Board Determination: The Board made no changes to the current TOR in relation to this recommendation. They agreed that it would be difficult to maintain a minimum two year term of office for the Chair of the Board due to constituent authority electoral cycles and the fact that appointments to the Fire authority were made on annual basis.

2.3 Recommendation on Key documents/processes (in relation to Conflict of Interest, Knowledge and Understanding [including Training]):

An encouraging number of boards have all key documents and processes in place, and satisfaction with these is generally high. The Committee would highlight the resources available to boards via the SAB website to assist those who may not yet have developed or implemented all key processes. The secretariat also requests that any missing or revised Terms of Reference are submitted to them via bluelight.pensions@local.gov.uk for inclusion on the Local Pension Boards page. The rating anomaly for the programme of knowledge and understanding has been noted and the Committee will consider future targeted training requirements based on the analysis of the survey. It is recommended that training is on-going and that it is sector-specific.

Board Determination: The Board noted that the Authority currently holds Conflict of Interest information on its employer/elected board members on the member page of their website and that member/employee representatives of the Board are asked to declare any Conflicts of Interest to the Authority's Democratic Services. The Board also noted that Information such as Board Member Development Records, Training Log and Policy, are held on the Authority's Pension Scheme Manager Portal. The Board reviewed the Draft LPB Training Policy (**Appendix 3**) and agreed for it to be submitted to the Fire Authority for approval and the SAB's bluelight team afterwards.

2.4 **Recommendation on Scheme Governance (i.e., Statement of Purpose):**

While the Committee acknowledges the view that the new governance arrangements seem overly complex, development of a comprehensive risk register may assist boards in recognising the importance of the provisions in promoting correct management and administration of the schemes. Although there is no investment fund to manage, errors in notional fund accounting can have significant impact, as evidenced by the recent case of injury awards from the Firefighters' Compensation Scheme being incorrectly paid from FRA pension accounts. The Board has a duty to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by TPR. This means that the Board has to ensure the Authority meets all requirements set by TPR in relation to their six key governance and administration processes.

Since this recommendation was made, the SAB has developed a breach assessment template to assist boards with the identification and recording/reporting of breaches of the law. The SAB has also developed a risk register template to assist boards in recognising the importance of the provisions in promoting correct management and administration of the schemes.

Board Determination: The Board noted that the Authority currently uses SAB's breach assessment template to assess all pension related breaches/potential breaches and has also developed its Pensions Risk Register based on SAB's risk register template. The Board noted and agreed with the details of the LPB Training Policy and Breaches of Law Policy and Guidance (**Appendices 2 and 3**). The Board agreed that responsibility for oversight of Breaches of Law should be included in the updated TOR before submitting to the Fire Authority for approval. The new TOR now reflects this.

2.5 **Recommendation on Board Communications (i.e., Reporting):**

As there is a requirement for boards to publish information, the Committee think it would not be unreasonable to recommend that boards consider requesting a dedicated webpage on their main FRS website if this does not exist already. Development of a work plan would allow boards to set their priorities and objectives for the year, and also give a basis for measuring progress. A detailed example work plan is available from the resources section of the SAB website. It is important for boards to be able to measure and demonstrate their success, due to the tremendous amount of hard work and dedication existing within these local arrangements that should be acknowledged. The Committee therefore recommends the development of agreed success measures and KPIs.

Board Determination: The Board noted that the Authority already has a dedicated FPS Pension Board Page which can be accessed via this link: https://www.esfrs.org/staff-area/pensions/pension-board/.

2.6 **Recommendation on Board Budget:**

The Committee were comfortable with the responses regarding board budgets and have no recommendations, other than to note that it may be more efficient for the SAB to obtain external and independent advice, rather than individual boards.

Board Determination: There was no considerations for the board.

2.7 The Fire Authority is asked to approve the updated TOR (**Appendix 1**).

3 BREACHES OF THE LAW

3.1 Paragraph 242 of TPR's code of practice 14 confirms a list of responsible bodies who are required by law to record and report a breach of law and this includes:

- scheme managers; and
- members of pension boards

TPR's code provides practical guidance on what procedures should cover, how to assess if a breach should be reported to them and what to report.

3.2 A procedure for identifying, recording and assessing breaches of law should:

a) determine whether a breach of law has occurred
b) record the Breach
c) assess for materiality to TPR
d) report to TPR if considered material.

TPR states that Authorities should have effective procedures to identify, assess and report breaches as that is critical in order to reduce risk in the scheme and to help the Authority to meet its legal duty.

3.3 To be compliant in its identification, assessment and reporting of breaches, the Authority now has a:

- **Breaches of Law Policy and Guidance** which aims to ensure that the Authority reduces its risk and serves as an early warning of possible malpractice. The policy also provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred. This policy has been reviewed by the Pension Board and now requires approval by the Fire Authority.

- **Breaches Log** which is where all breaches are recorded and monitored. The log also holds information on what actions have been taken to rectify the breach and whether it is deemed as material and therefore reportable to TPR.

- **Breach Assessment Template** which is used to assess the materiality of a breach. All breach assessments are supplied (in the first instance) by the Responsible Officer to the Assistant Directors (Resources/Treasurer and HR/OD, Training and Assurance) for review and then passed onto the Pension Board if deemed material.

- **Breach Reporting Form** which is used to report a breach or suspected breach to the Responsible Officer. Reporters can (for example) be Pension Board Members, professional advisors or any person who is otherwise involved in the administration of the scheme.

3.4 The above documents are held on the Authority's Pension Scheme Manager Portal and will be updated regularly and provided to the Fire Authority, Board, Senior Leadership Team, TPR, Auditors as and when requested.

3.5 The Fire Authority is asked to approve the Breaches of Law Policy and Guidance (**Appendix 2**).

4 LOCAL PENSION BOARD TRAINING POLICY

4.1 The Local Government Association (LGA) and SAB advise that access to knowledge, understanding and skills to run the scheme should include:

- confirmation of the legal requirements for board members
- relevant policies
- access to a development discussion (not mandatory) to discuss any requirements board members have to fulfil their role
- annual access to training to ensure knowledge and understanding of:

  - the responsibilities of the Scheme Manager and Local Pension Board
  - the Scheme rules
  - TPR Code of Practice 14
  - wider pension rules
- LGA bulletins should be made available to all Board Members
- all members should be offered an opportunity to attend national events run by LGA and sponsored by the SAB
- a log of all training undertaken by Board Members in the form of a personal training analysis
- an annual evaluation of skills

4.2 To adhere to the advice from the LGA and SAB, the Authority has in place a:

- **Terms of Reference** for its Board members which details their legal requirements – updated version pending approval by the Fire Authority;

- **Pension Board LGA/SAB Bulletin Update Log** to keep the Board up to date with scheme information, changes and any required regulatory actions;

- **Local Pension Board Training Policy** to ensure that Board Members understand what is required of them and are aware of the knowledge and skills required in order to perform their duties – new version pending approval by the Fire Authority;

- **Local Pension Board Training Log** which details all training undertaken by Board Members.

4.3 The Training Policy, Log and all evidence in relation to Board Member training, skills or qualifications are held on the Authority's Pension Scheme Manager Portal and will be updated regularly and provided to the Fire Authority, Board, Senior Leadership Team, TPR, Auditors as and when requested.

4.4 The Fire Authority is asked to approve the Local Pension Board Training Policy (**Appendix 3**).

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FIREFIGHTERS' PENSION SCHEME
LOCAL PENSION BOARD OF EAST SUSSEX FIRE AUTHORITY
TERMS OF REFERENCE

Name

1. The name of the Board is "Local Pension Board" ("the Board") and is established by East Sussex Fire Authority ("the Authority") as the Scheme Manager under the provisions of the Public Sector Pensions Act 2013 and The Firefighters' Pension Scheme (Amendment)(Governance) Regulations 2015.

2. The Board has been in place since 2015.

Statement of purpose

3. The purpose of the Board is to assist East Sussex Fire Authority in its role as a scheme manager of the Firefighters' Pension Scheme. Such assistance is to:

   (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and';

   (b) ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

4. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members:

   (a) should act always in the interests of the scheme and not seek to promote the interests of any stakeholder group above another.

   (b) should be subject to and abide by the East Sussex Fire Authority code of conduct for members.

Membership

5. The Board will comprise an equal number of employer and member representatives with a minimum requirement of no less than four in total. The current membership is made up of four employer representatives who are elected members of and appointed by East Sussex Fire Authority and four scheme member representatives.

6. Substitute members will not be permitted.

7. Each Board member shall endeavour to attend all Board meetings during the year.

Employee/Member representatives

8. Four member representatives shall be appointed to the Board.

9. Member representatives shall either be members of the scheme administered by East Sussex Fire Authority or have experience of representing pension scheme members in a similar capacity.

10. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Employer/Elected representatives

11. Four employer representatives shall be appointed to the Board.

12. Employer representatives shall be elected members of and appointed by East Sussex Fire Authority.

13. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

14. Employer representatives shall be appointed by East Sussex Fire Authority in a manner which it considers best promotes the purpose of the Board.

Appointment of chair

15. East Sussex Fire Authority shall appoint a chair.

16. The duties of the chair should be in accordance with the duties of a chair within East Sussex Fire Authority.

Notification of appointments

17. On appointment to the Board, East Sussex Fire Authority shall publish the name of the appointees, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Conflicts of interest

18. All members of the Board must declare to East Sussex Fire Authority on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

19. On appointments to the Board and following any subsequent declaration of potential East Sussex Fire Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of East Sussex Fire Authority and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.

Knowledge and Understanding (including Training)

20. Knowledge and understanding must be considered in light of the role of the Board to assist East Sussex Fire Authority in line with the requirements outlined in the section 'Duties of the Board' above. The Board should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to Board members. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

21. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's Training policy.

22. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Term of office

23. Term of Office shall be longer than 12 months where possible to allow sufficient development of knowledge and understanding.

24. Board membership may be terminated prior to the end of the term of office due to:

    (a) A member representative appointed on the basis of their membership of the scheme no longer being a member of the scheme

(b) A member representative no longer being a member of the body on which their appointment relied
(c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied
(d) The representative no longer being able to demonstrate their capacity to attend and prepare for meetings or to participate in required training.

Meetings

25. The Board shall meet quarterly but no fewer than three times during any annual cycle.

26. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

27. The total number of members required to be present for a meeting to be quorate is 3 members, to include at least 1 employer and 1 member representative.

Voting

28. The chair shall determine when consensus has been reached.

29. Where consensus is not achieved this should be recorded by the chair.

30. In support of its core functions the Board may make a request for information to the Chief Fire Officer & Chief Executive or any other officer with delegated responsibility for the scheme manager function with regard to any aspect of that function. Any such a request should be reasonably complied with in both scope and timing.

31. In support of its core functions the Board may make recommendations to the Chief Fire Officer & Chief Executive or any other officer with delegated responsibility for the scheme manager function which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

32. The Board shall report its activities periodically, but at least once each year to the Scrutiny & Audit Panel.

33. Pension Board members are required to report breaches of the law to the regulator where they believe there is a legal duty that has not or is not being complied with or the failure to comply will be of material significance to the Pensions Regulator in the exercise of its functions. Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the Breaches of Law Policy and Guidance.

Interpretation

34. In these terms 'the Scheme' means the Firefighters' Pension Scheme.

35. In these terms 'regulations' include the Firefighters' Pension Scheme 1992, as amended, the Firefighters' Pension Scheme 2006, as amended, the Firefighters' Pension Scheme Regulations 2014 as amended, the Pension Regulators Codes of Practice as they apply to the scheme manager and pension board, and any other relevant legislation applying to the Scheme.

Amendment to the Terms of Reference

36. These terms of reference form part of the authority's constitution and may be amended in accordance with the constitution. Where the changes are required as a result of legislative changes, the Chief Fire Officer in consultation with the Monitoring Officer, may make consequential amendments.

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East Sussex Fire Authority

FIREFIGHTERS PENSION SCHEME (FPS) BREACHES OF LAW POLICY & GUIDANCE

Document Control			
Version Number	Date Issued	Author	Update Information
1	November 2019	Judith Sarpong	Initial Draft

Contents

Cause
Is it of material significance?

Effect
What did the breach lead to?

Reaction
What has been done as a result of the breach?

Wider Implications
Will other breaches emerge in the future as a result of this breach?

Breaches of Law Policy and Guidance

East Sussex Fire and Rescue Authority (i.e., the Authority) has a legal duty to report a breach of the law where it is likely to be of material significance to the regulator.

This document sets out the Authority's policy and procedures for identifying, monitoring and, where appropriate, reporting breaches of the law as required in the Pensions Act 2004 (the Act) and detailed in The Pensions Regulator's (TPR) Code of Practice no 14 - Governance and administration of public service pension schemes (the Code).

This policy and all associated breach reporting documents, logs and templates can be accessed by the Responsible Officer and authorised individuals via the Pension Scheme Manager Portal.

The following appendices accompany this Breaches policy and guidance:

- **Appendix 1:** *When a breach may be considered material and how to make a submission to TPR*
- ***Appendix 2:*** *TPR's "TRAFFIC LIGHT" Framework*
- **Appendix 3:** *Breach Reporting Form*
- **Appendix 4:** *Breach Assessment Template*

Why have a Breaches Policy

- It is a crucial tool for the Authority in reducing risk and providing an early warning of possible malpractice;
- It provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred;
- It represents an important addition to the Authority's suite of policies that make up its risk framework.

The identification, management and reporting of material breaches to TPR is a requirement of the Code.

Failure to report a breach without a reasonable excuse is a civil offence that can result in civil penalties.

What is a breach

A breach of the law occurs when a legal duty which is relevant to the administration of the scheme has not been, or is not being complied with.

It can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- of an employer to pay member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Regulator's Code of Practice No 14.

Non-compliance with the Firefighter's Pension Scheme (FPS) regulations can encompass many aspects of the management and administration of the scheme, including failure:

- to abide with the FPS Regulations;
- to comply with the Authority' policies and procedures.

It is important that the Responsible Officer (e.g., Pensions Advisor) is satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

Who is responsible for reporting breaches

The following are responsibility to report breaches (known as Reporters):

- Members of the Local Pension Board;
- Any person who is otherwise involved in the administration of the scheme: including officers of the Pension Services Team;
- All participating employers in the scheme;
- Professional advisers;
- Any other person otherwise involved in advising the managers of the scheme.

Reporters are required to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

When to report a suspected breach

Breaches of the law which affect pension schemes should be considered for reporting to TPR. The decision whether to report requires two key judgements:

- Is there reasonable cause to believe there has been a breach of the law?
- If so, is the breach likely to be of material significance to the Pensions Regulator?

The requirement to report breaches of the law arises when a duty which is:

- Imposed by (or by virtue of) an enactment or rule of law; and is
- Relevant to the administration of a scheme.

Imposed by or by virtue of an enactment or rule of law

'Enactment' covers Acts of Parliament and regulations or statutory instruments. For example, the Pensions Act 2004 is an enactment as are regulations made under that Act:

Pensions Act 2004 (70 (2)):

"(2) Where the person has reasonable cause to believe that –

a. A duty which is relevant to the administration of the scheme in question, and is imposed by (or virtue of) an enactment or rule of law, has not been or is not being complied with, and
b. the failure to comply is likely to be of material significance to the Regulator in the exercise of its functions,

they must give a written report of the matter to the Regulator as soon as reasonably practicable."

Breaches of criminal law, such as an offence of dishonesty under the Theft Act, would also come within the term enactment. 'Rule of law' covers law laid down by decisions of the courts. It would, for example, include trust law and common law.

Relevant to the administration of the scheme

In view of its statutory objectives, TPR interprets 'administration' widely in the context of the need to report breaches. It is much wider than just those tasks normally associated with the administrative function such as keeping records, dealing with membership movements, calculating benefits and preparing accounts, though all these are included within it. TPR interprets administration to include such matters as the consideration of funding in defined benefit schemes, investment policy and investment management, as well as the custody of invested assets; indeed anything which could potentially affect members' benefits or the ability of members and others to access information to which they are entitled.

When to report a suspected breach – cont'd

There are two key judgements required:

- First, does the reporter have reasonable cause to believe there has been a breach of the law?
- If so, then, secondly, does the reporter believe the breach is likely to be of material significance to TPR?

Reasonable cause to believe

Having a reasonable cause to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated. Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the Responsible Officer, or with others who are in a position to confirm what has happened. However, it would not be appropriate to check with the Responsible Officer or others in cases of theft, or if the reporter is concerned that a fraud or other serious offence might have been committed and discussion with those persons might alert those implicated or impede the actions of the police or a regulatory authority. If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view. In establishing that there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which TPR would require before taking legal action.

Material significance to TPR

Breaches of the law which affect pension schemes should be considered for reporting to TPR if it is considered that the breach is likely to be of material significance to TPR.

Where the breach was caused by:

- dishonesty;
- poor governance, inadequate controls resulting in deficient administration, or slow or inappropriate decision-making practices;
- incomplete or inaccurate advice; or
- acting (or failing to act) in deliberate contravention of the law,

the breach is likely to be of **material** significance to the Pensions Regulator.

A material breach must be notified to TPR as soon as is reasonably practicable and no later than ***one month*** after becoming aware of the breach or likely breach.

When to report a suspected breach – cont'd

Where it is considered that a breach is of such significance that TPR is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of TPR immediately.

Not all breaches identified will need to be reported to TPR. Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, TPR will not normally consider this to be materially significant.

Further information on when a breach may be considered to be a material breach and how to make a submission to TPR can be found in Appendix 1.

Who to report a suspected breach to

All breaches or suspected breaches should be reported to the [Responsible Officer] in the first instance.

However, if the suspicion is around theft, fraud or other serious offences where discussions may alert those implicated or impede the actions of the policy or a regulatory authority, the *Reporter* should go to TPR directly and at the earliest opportunity.

Role of the Responsible Officer

The Responsible Officer is responsible for the management and execution of the breaches policy. The Responsible Officer for this Authority is the Pensions Advisor. If the Pensions Advisor leaves their role or the person responsible for the day to day management of the Authority's FPS changes, the person who assumes the role will become the Responsible Officer for this Authority.

The Responsible Officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Authority's pension breaches log;
- investigate the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur;
- report to the Local Pension Board;
- report all materially significant breaches identified to TPR as soon as practicable but not later than 30 days after becoming aware of the breach.

NOTE:

- all materially significant breaches will require reporting to TPR as soon as is practicable, but no later than within 30 days (if the next scheduled meeting of the Local Pension Board is in excess of 30 days the Responsible Officer will consult with the Chairman of the Local Pension Board within the 30 day period (verbally if necessary) prior to reporting to TPR; and after consultation with the Chief Fire Officer, Treasurer and Deputy Monitoring Officer.
- All other breaches to the next scheduled meeting of the Local Pension Board.

The Responsible Officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in TPR Codes of Practice and after consultation with the Chief Fire Officer, Treasurer, Deputy Monitoring Officer and Local Pension Board.

Where uncertainty exists as to the materiality of any identified breach the Responsible Officer will be required to informally notify TPR of the issue and the steps being taken to resolve the issue.

How are records of breaches maintained

All breaches or suspected breaches will be recorded in the Authority's Breaches Log. Responsible Officer will maintain the Authority's Breaches Log. The Authority's Breaches Log will include the following information:

- Date the breach or likely breach was identified
- Name of the employer (where appropriate)
- A description of the breach:
  - Cause
  - Effect
  - Reaction
  - Implications
- Whether the breach is considered to be red, amber or green with reference to TPR's traffic light system
- Whether the concern has been reported before
- Whether the suspected breach is considered materially significant to TPR and reasons for this consideration
- Date of report to TPR (if applicable)
- Recommended action to rectify the breach
- Evidence that these recommendations have been implemented
- Confirmation that the Head of Fire & Rescue, Director of Finance, Director of Legal, Cultural and Democratic Services and Local Pension Board have been consulted

Updates to the breaches log will be reported to the Local Pension Board at its next meeting.

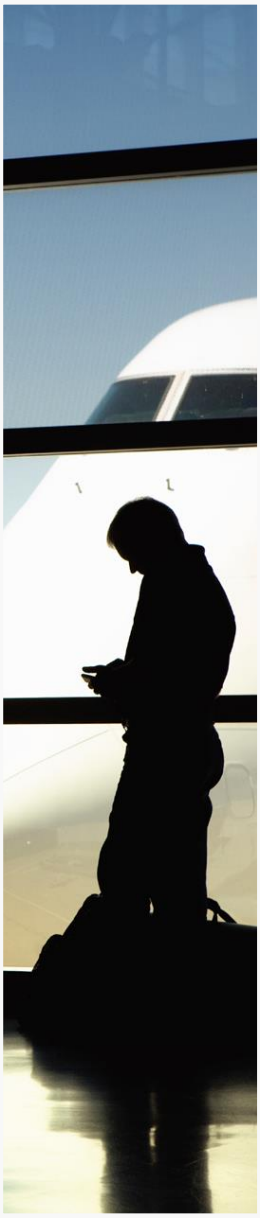
Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistle blow on the part of an employee of the Authority. The duty to report does not override any other duties a Reporter may have, such as confidentiality. Any such duty is not breached by reporting to TPR. Given the statutory duty that exists, in exercising this breaches policy the Authority will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to TPR.

The duty to report, however, does not override 'legal privilege', so oral and written communications between the Authority and the Local Pension Board and a professional legal adviser do not have to be disclosed.

Training

The Responsible Officer will ensure that all Reporters, receive appropriate training on this policy as appropriate.



KNOWLEDGE IS POWER

Considerations

Policy

This policy is expected to be appropriate for the long-term. However we will review the Policy occasionally to ensure it remains up to date and meets the necessary regulatory requirements.

Objectives

This policy aims to ensure that the Authority reduces its risk and:

- serves as an early warning of possible malpractice;
- provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred;
- represents an important addition to the Authority's suite of policies that make up its risk framework.

Application

The Breaches of the Law Policy and Guidance applies to any management or administrative failures that relate to the Authority's FPS – see page 3. The Authority's Pension Advisers, Professional Support and Local Pension Board members are expected to demonstrate that they are aware of and understand the contents of this Policy.

Additional Information

If you need more information about the FPS, please refer to East Sussex Fire and Rescue's FPS portal via https://www.esfrs.org/staff-area/pensions/firefighters-pension-scheme-portal/ or contact the Pension Scheme Administrators:

Orbis Business Services
County Hall
St Anne's Crescent
Lewes
East Sussex
BN7 1UE
See a map of this address

Phone: 01273 337450 **Email:** ESCC.pensions@sesharedservices.org.uk

When a breach may be considered material and how to make a submission to TPR

The Pensions Regulator (TPR) has produced guidance to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach Reporters will in all cases consider the following:

1. Cause;
2. Effect;
3. Reaction; and
4. Wider implications.

1. Cause

The breach is likely to be of material significance to TPR where it was caused by:

- Dishonesty;
- Poor governance or administration;
- Slow or inappropriate decision making practices;
- Incomplete or inaccurate advice; or
- Acting (or failing to act) in deliberate contravention of the law.

When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

2. Effect

Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to TPR:

- Local Pension Board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme

not being properly governed and administered and/or scheme managers breaching other legal requirements;

- Local Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements;
- Adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time;
- Accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement;
- Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time;
- Any misappropriation of assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded; and
- Any other breach which may result in the East Sussex Firefighter's Pension Scheme being poorly governed, managed or administered.

Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

3. Reaction

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, TPR will not normally consider this to be materially significant.

A breach is likely to be of concern and material significance to the regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- Are not pursuing corrective action to a proper conclusion; or
- Fail to notify affected scheme members where it would have been appropriate to do so.

4. Wider implications

Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Submitting a report to TPR

Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website:

https://www.thepensionsregulator.gov.uk/en/trustees/submit-reports-payments-and-requests-to-us/exchange-online-service

The report should be dated and include as a minimum:

- Full name of the scheme;
- Description of the breach or breaches;
- Any relevant dates;
- Name of the employer or scheme manager (where known);
- Name, position and contact details of the reporter; and
- Role of the reporter in relation to the scheme.

Additional information that would help the regulator includes:

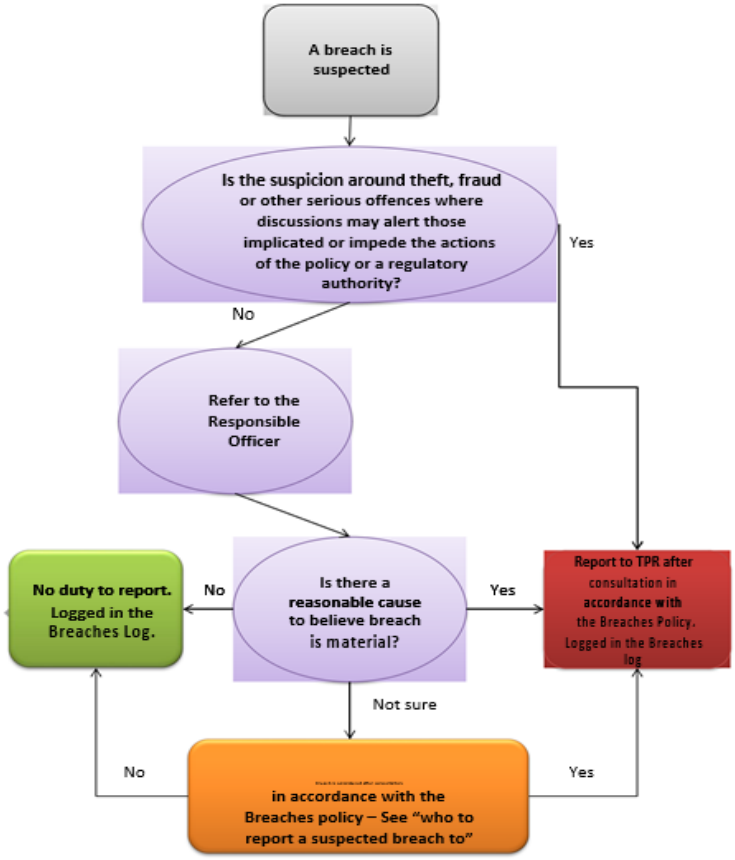
- The reason the breach is thought to be of material significance to the regulator;
- The address of the scheme;
- The contact details of the scheme manager (if different to the scheme address);
- The pension scheme's registry number (if available); and
- Whether the concern has been reported before.

Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate. Reporters should ensure they receive an acknowledgement for any report they send to the regulator. Only when they receive an acknowledgement can the reporter be confident that TPR has received their report. TPR will acknowledge all reports within five working days of receipt,

however, it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. Reporters should provide further information or reports of further breaches if this may help the regulator to exercise its functions. TPR may make contact to request further information. Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect Reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the Reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert TPR to the breach.

Reporting decision tree



TPR's "TRAFFIC LIGHT" Framework

TPR provides a "traffic light" system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to TPR, but should be recorded in the Authority's breaches log.

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Authority or local pension board will need to decide whether to informally alert TPR to the likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Authority or local pension board must report all such breaches to TPR in all cases.

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Responsible Officer to determine the appropriate course of action. It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach. The Responsible Officer will use TPR's "traffic light" framework as a means of identifying whether any breach is to be considered as materially significant and so reported to TPR. Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to TPR immediately.

In order to determine whether failure to pay employee contributions is materially significant or not the Authority will seek from the employer:

- The cause and circumstances of the payment failure;
- What action the employer has taken as a result of the payment failure; and
- The wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor

administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to TPR.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to TPR, the Responsible Officer, must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Authority's breaches log.

Breach Reporting Form

(Form to report a suspected breach to the Responsible Officer)

Reporter Name	
Reporter Position	
Telephone Contact	
Email Address	
Address	
Date of suspected breach	
Description of suspected breach and why you consider it to be a breach **(please provide all relevant details)**	
Signed	
Date of submission	
Report No – Internal use only	

Please submit this form to: **[The Responsible Officer]**

Email:

Breach Assessment Template

Date of assessment

[Enter text about date of assessment and who assessment panel is]

Introduction

[Brief introduction to the breach being assessed]

Identified

[Enter text about how the breach was identified, for example it might be;

- Tracked from agenda
- Tracked from LGA bulletins / technical note
- Informed by scheme manager / Pensions administrator
- Something else]

Assessment

[Using the TPR guidance comment on the four areas and score red, amber or green]

	Cause	Effect	Reaction	Wider Implications
Red				
Amber				
Green				

Action

[Enter text about what the course of action is in response to the breach, including any timescales.]

History / Frequency

[Enter text about whether this is a breach that has occurred before and with what frequency.]

Decision

Report as material breach	
Recorded as breach	

Assessed by:

Date of assessment:

Board/Panel/PO Review:

Tabled at Board/Panel/PO Meeting:

Agreed by board/Panel/PO:

East Sussex Fire Authority

FIREFIGHTERS PENSION SCHEME (FPS) LOCAL PENSION BOARD TRAINING POLICY

As the Administering Authority, we have prepared this guide to log the training of the FPS Local Pension Board Members that has taken place since 2019

Document Control			
Version Number	Date Issued	Author	Update Information
1	November 2019	Judith Sarpong	Initial Draft

Contents

Demonstrate
through training

Assess
understanding

Complete
log

Strategy

The Public Service Pensions Act 2013* requires that members of local pension boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- the regulations of the Firefighters Pension Scheme (FPS), including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme.

Local Pension Board members must also have knowledge and understanding of;

- the law relating to pensions, and
- such other matters as may be prescribed in other legislation.

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board. The training needs of the Board members are assessed on an individual basis and take account of members' existing expertise and interests in specific areas. Within this flexible framework the following structure is operated.

New members receive:

- an in-house pension board training delivered by Local Government Association (LGA) Pension Advisors; and
- information on accessing and completing all the modules of the Pension Regulator's E-learning/Online Toolkit.

In each subsequent year of membership members are expected to undertake training aimed at building or refreshing their knowledge and skills in specific topics in greater depth. A detailed log of all training undertaken and planned by Board members is maintained and is available for inspection on request. The Local Pension Board receives training and development as required and is commissioned from a variety of sources such as:

► External courses
► The Pensions Regulator's E-learning/Online Toolkit
► Training sessions delivered by Local Government Association (LGA) Pension Advisors
► National Seminars and Conferences (usually held by the LGA or Scheme Advisory Board)

*The Public Service Pensions Act 2013 made amendments to the Pensions Act 2004

The Log

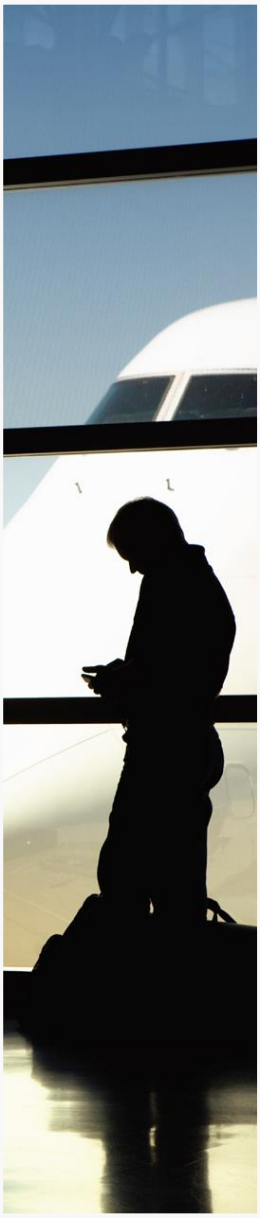
A training log will be maintained for each member of the Panel to record the actual training undertaken during the year. The log will be kept by the Pensions Advisor and will include details of all relevant training courses, seminars and events attended by each member, based on information available to Democratic Services from arranging training events or booking attendance.

Panel members will be responsible for notifying the Pensions Advisor of other training activities on Firefighters Pension Scheme matters. Training logs:

- will be circulated to members at the end of the financial year to confirm accuracy;
- will be published as part of the training plan for the following year to provide evidence of the Board's commitment to training;
- will include an assessment of whether each training event has fulfilled the need it was intended to meet.

An example of a log:

YEAR 2019/2020						
Name	Member Type	Role	TPR Toolkit	In-house Pension Training	Pension Seminar	Other
Member 1	Employer Member	Councillor (Chair)	✓	✓	✓	
Member 2	Employer Member	Councillor	✓	✓		
Member 3	Employer Member	Councillor	✓	✓		
Member 4	Employer Member	Councillor	✓	✓		
Member 5	Employee Member	Rep - FOA			✓	
Member 6	Employee Member	Rep - FLA				
Member 7	Employee Member	Rep - RFU				✓
Member 8	Employee Member	Rep - FBU		✓		



KNOWLEDGE IS POWER

Considerations

Policy

This policy is expected to be appropriate for the long-term. However we will review the Policy occasionally to ensure it remains up to date and meets the necessary regulatory requirements.

Objectives

This policy aims to ensure that all Board members:

- understand what is required as part of the Pension Board Member role;
- are aware of the knowledge and skills required in order to perform their Board duties accordingly;
- gain sufficient expertise to be able to evaluate and challenge the advice and information they receive from the Authority and its Advisors;
- are able to continually demonstrate their own personal commitment to training, ensure that the above objectives are met and to keep up with changing FPS and wider pensions landscape.

Application

The Training Policy applies to all members of the FPS Local Pension Board, including scheme member and employer representatives. Advisers/Professional Support to the Board are also expected to demonstrate that they can meet the objectives of this Policy.

Additional Information

If you need more information about the Scheme, please refer to East Sussex Fire and Rescue's FPS portal via https://www.esfrs.org/staff-area/pensions/firefighters-pension-scheme-portal/ or contact the Pension Scheme Administrators:

Orbis Business Services
County Hall
St Anne's Crescent
Lewes
East Sussex
BN7 1UE
See a map of this address

Phone: 01273 337450 **Email:** ESCC.pensions@sesharedservices.org.uk

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EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Fire Authority
Date	13 February 2020
Title of Report	Health, Safety & Well-being Strategy 2020-2023
Lead Member	Cllr Carolyn Lambert
Lead Officer	Hannah Scott-Youldon, Assistant Director People Services

Background Papers	HMICFRS Inspection Report 2018/19 HMICFRS State of Fire & Rescue Service 2019 Report

Appendices	1. Draft Health, Safety & Well-being Strategy 2020-2023

Implications (please tick ✓ and attach to report)
Any implications affecting this report should be noted within the final paragraphs of the report

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

PURPOSE OF REPORT	The Authority has in place an existing Health, Safety & Wellbeing Strategy that forms part of the suite of strategies that sit within the Fire Authority Constitution. The strategy ran from 2017 up until March 2020. The current strategy has now been reviewed and refreshed to incorporate the new Health & Safety Management System. The Strategy continues to develop the strategic direction for not only the health and safety of ESFRS employees but the mental well-being of our staff.as well
RECOMMENDATION	To support the revised Health, Safety & Well-being Strategy for 2020-2023 (attached as Appendix 1) and adopt as a formal Fire Authority Strategy

1 OVERVIEW

1.1 The current Health & Safety strategy is now due to be reviewed following 3 years being in place. The Strategy is cognisant of both the recommendations made by

the regional health & safety audit undertaken in March 2019 and the HMICFRS inspection in May 2019.

1.2 Encouragingly the HMICFRS's State of Fire & Rescue 2019 report clearly recognises that most services have a positive health and safety culture and that the majority of Services monitor statistics to learn about trends, reduce the risk of further harm and identify areas for improving the way in which we work.

1.3 This was also mirrored in the specific HMICFRS ESFRS inspection report. Our specific inspection report identified that staff are confident about the Service's health and safety arrangements. It also highlighted that there were a number of areas of compliance that needed strengthening and these were areas that the Service could improve on. The 3 year action plan that sits under this strategy specifically focusses in on these areas.

1.4 The revised strategy continues to provide the over-arching framework for managing health, safety and well-being across the Service over the next 3 years and continues to provide a clear, refined and transparent governance structure whilst continuing to demonstrating both leadership and ownership from the very top of the Organisation.

1.5 The strategy has been aligned to both the current and draft IRMP and the People & Organisational Development Strategy to ensure that it underpins our organisational Commitments thus fulfilling the Purpose of the Organisation as detailed within the IRMP.

1.6 This strategy provides a clear 3 year delivery plan to enable the Health Safety & Well-being Committee to measure the success of the objectives, provide a clear set of policies and a structured well-being programme.

2 CONTEXT

2.1 The Strategy continues to have 2 key elements: 1) health & safety and 2) well-being, from which run 5 themes.

2.2 Whilst it is right that the strategy continues to have a focus on physical safety and firefighter safety there is also a continued recognition within the strategy of the importance of the psychosocial environment (i.e. the workplace) and the risks presented for mental health.

2.3 The 3 year delivery plan that sits underneath this strategy include interventions that have been geared towards enhancing positive wellbeing, rather than just preventing negative impact, for example, the introduction of Mental Wellbeing Champions, a joint wellbeing calendar with Surrey Fire & Rescue Service and providing pro-active interventions to identify issues early on so individuals can be supported thus keeping them in the workplace.

2.4 Further to that, the Service recognises that it has an ageing workforce profile, with an average age within the operational workforce of 46 years old. A strategic Wellbeing Plan that is aligned to the Strategic Workforce Plan and specifically the workforce data will ensure both the Occupational health provision and wellbeing

initiatives are aligned to the needs of our Service. This will be developed in Year 1 of this strategy.

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East Sussex Fire & Rescue Service

Health Safety & Wellbeing Strategy 2020-2023

Strategy Foreword

Lead Member for Health, Safety & Wellbeing, Carolyn Lambert

The Fire Authority is proud to continue its work to make our communities safer by:

Delivering high performing services
Educating our communities
Developing a multi-skilled, safe & valued workforce
Making effective use of our resources.

This commitment is underpinned by the delivery of the 2020-2023 Health Safety & Wellbeing Strategy.

The Health Safety & Wellbeing Strategy marks a new chapter in how we manage the Authority's responsibilities for the health safety & wellbeing of our staff and the community that we serve. Our operational and support staff are at the heart of everything that we do and delivery of the Strategy will transform how we support them in the provision of fire and rescue services. It underpins everything that East Sussex Fire & Rescue Service delivers and so will need to link with and have input into all other service strategies, from the Estates Strategy through to the Safer Communities Strategy. Health, safety and wellbeing impacts on every aspect of service delivery from where we work, where we engage with our community and increasingly where we collaborate with our partners.

Chief Fire Officer

Fire & Rescue Services employ relatively small numbers of staff, but the nature of their operational activities means that these workers frequently face higher work-related risks.

These work-related risks include the potentially serious consequences of exposure to fire, harmful substances or explosions, unstable structures, working in hazardous environments (e.g. on cliffs, in water, on the highway) and the manual handling of equipment and casualties.

Traditionally Fire & Rescue Services recognise the need to manage these significant health and safety risks as a key part of operational activities. In the past, high profile failures to balance the risks of operational duties against the requirement of the Health & Safety at Work Act have been cited as a contributing factor in the serious injury or death of workers and the public. The Health & Safety Executive have worked with Fire & Rescue Services to produce key documents such as 'Striking the Balance' which set out principles to help duty holders make informed judgements about risk. These principles are reflected throughout the five key themes that run through this Health Safety & Wellbeing Strategy.

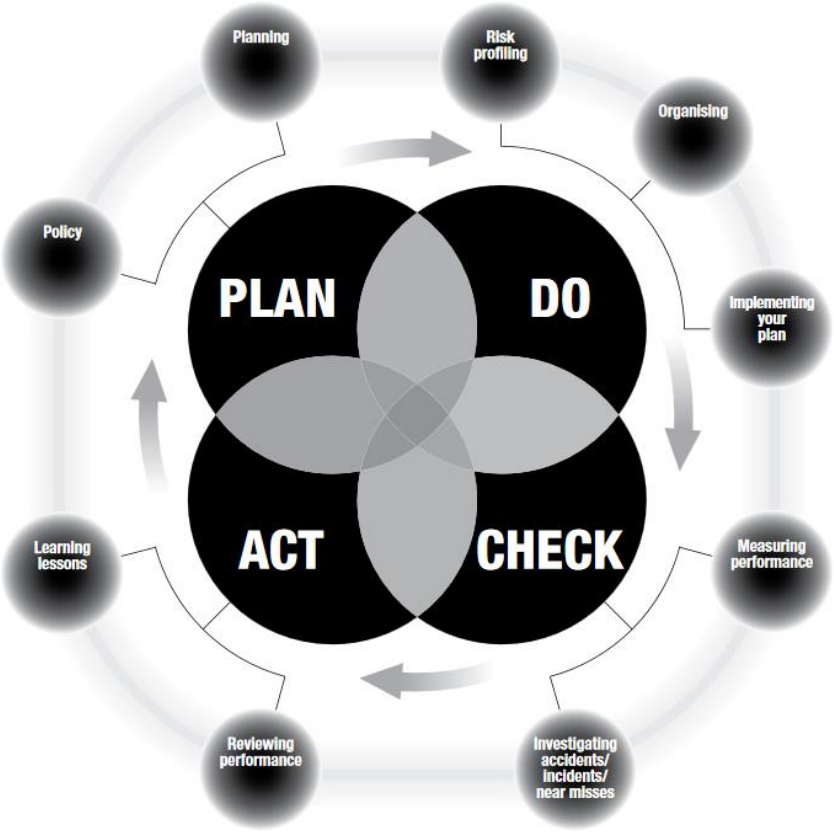
Strategic Context

The Fire & Rescue Services Act 2004 clearly sets out the four key responsibilities for East Sussex Fire & Rescue Service, of:

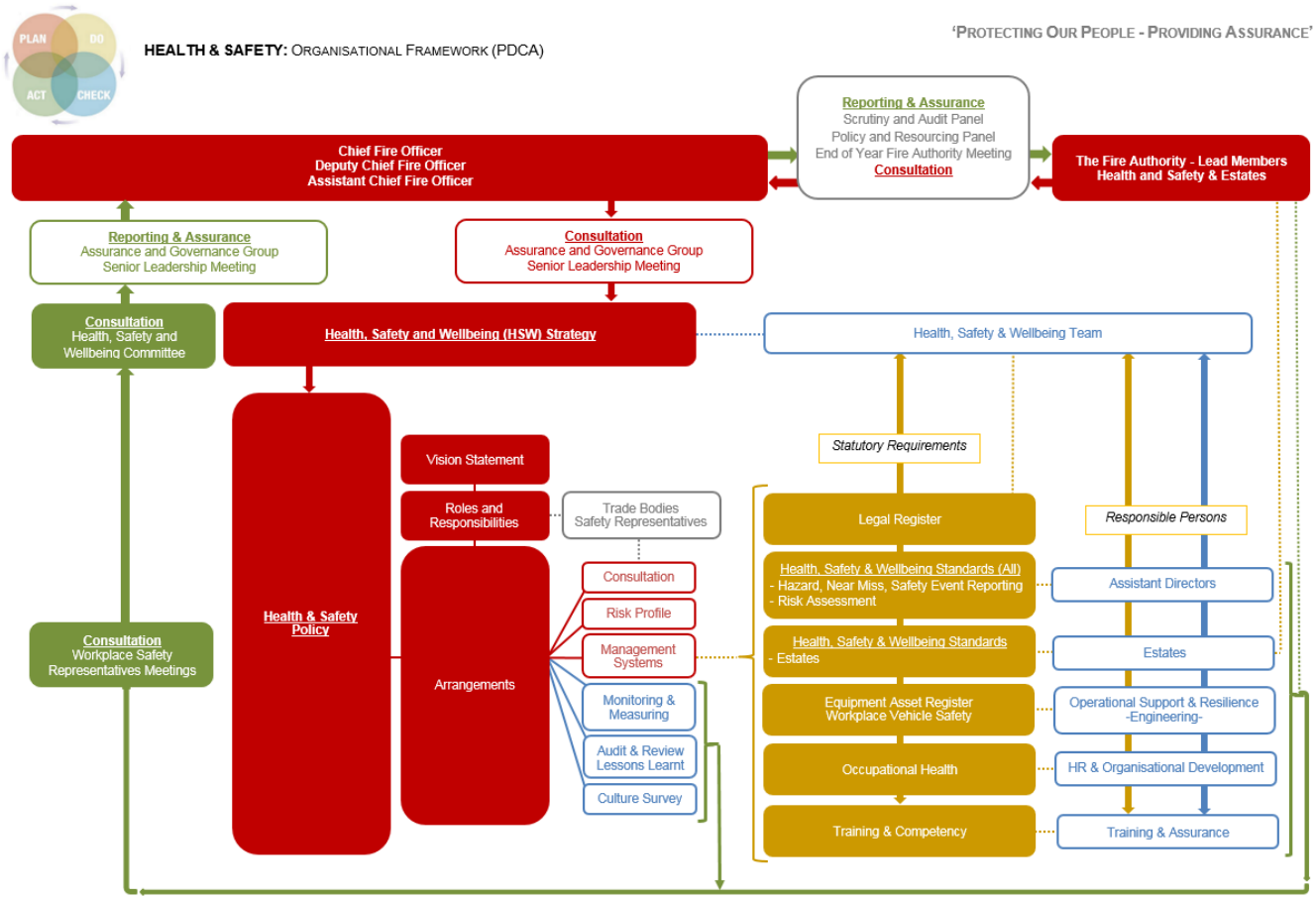
- Extinguishing fires;
- Protecting life and property in the event of fires;
- Rescuing and protecting people in the event of a road traffic collision; and
- Rescuing and protecting people in the event of other emergencies.

When fulfilling these responsibilities it is acknowledged that these are higher risk activities and that the Fire Authority will have to work hard to meet its statutory duties under the Health & Safety at Work etc Act (1974). This piece of legislation requires East Sussex Fire Authority to protect the **'health, safety and welfare' at work** of all their employees. These duties also extend to others on their premises or those who may be affected by ESFRS activities, including contractors, casual workers, the self-employed, clients, visitors and the general public.

HSG65 sets out the overarching structure of an effective health and safety management system and East Sussex Fire & Rescue Service has adopted the principles of 'Plan, Do, Check, Act' to achieve a balance between the systems and the behavioural aspects of safety management.



In 2020 ESFRS adopted the fully revised Health and Safety Management System **'Protecting our People - Providing Assurance'** POPPA as detailed in the framework below.



This diagram of our internal framework POPPA, is colour coded against each element of 'Plan; Do; Check; Act. This shows how ESFRs health and safety arrangements meet the requirements of HSG65.

Principle	Summary of Areas Covered in Each Element
Plan	Strategic direction; Health & Safety Policy; organisational chart; roles and responsibilities; display of policy; consultation arrangements; reporting, resourcing; emergency arrangements; compliance.
Do	Risk assessment; risk profiling; risk ownership; training; training needs analysis; refresher training; control measures; risk register; employee consultation; competence; national guidance; risk critical information; SSRIs; ARAs; qualifications; PPE; equipment; procurement; planned maintenance; welfare arrangements; debriefing; management of contractors; monitoring contractors performance; communications; succession planning; induction; external advice; committees.
Check	Leadership; upward reporting; performance review; monitoring arrangements; management actions when performance declines; training records; schedules for planned, preventative maintenance; KPIs; workplace checks and records; performance reports; review of failed performance targets; inspection programmes; safety reps invited to inspections; medicals and health surveillance; debriefs; safety events and investigations; monitoring sickness absence; trend analysis; RIDDOR; accident investigation procedures and resources; record retention, security of information; audit plans.
Act	Review of safety management systems; matching KPIs to risk profile; evidence of corrective actions; review of compliance; review of statutory checks; evidence of analysis of H&S stats; comparing KPIs with others; evidence of a feedback system;

ESFRS are also exploring options to automate our Health & Safety Management Systems so that managers and staff can have access to information that clearly details their responsibilities, supporting documents to help them achieve compliance and up to date management and performance information at their fingertips.

Purpose of the Strategy

The purpose of this strategy is to set out the strategic objectives for the next three years that seek to build on the work begun in the 2017-2020 strategy and to continuously improve health, safety and wellbeing.

The Corporate Purpose Statement is to ‘make our communities safer’.

Our priority is to protect our staff when they are delivering frontline services to the East Sussex community, to support them in delivering those services safely and to minimise the risk of injury or ill health as far as we reasonably can.

Strategic Considerations

1. Approach to Efficiency

Initially, it may be difficult to see how effective health safety & wellbeing management systems might achieve efficiencies for a Fire & Rescue Service. However, detailed analysis of the financial costs of when staff, vehicles, equipment or premises are taken off the run after an accident shows the impact on efficiencies. By employing appropriate levels of investigation, in order to prevent accidents from happening again, and by learning the lessons from our near hits, we can minimise injury and damage as far as reasonably practicable and avoid those associated hidden costs.

The Service will also fully engage with the Fire & Rescue Indemnity Company (FRIC) which it joined in 2019. FRIC specifically meets the needs of Fire & Rescue Services and works on a philosophy of sharing risk information and organisational learning from incidents where claims have been successful. By learning from other Fire & Rescue Services this will improve efficiency and help us to avoid risks that have affected other Fire & Rescue Services.

This strategy can deliver financial efficiencies through reduced levels of sickness absence provision of wellbeing and by taking a more holisitic approach to mental and physical health to provide resilience in the work force.

Improvements in the Occupational Health provision will ensure better case management of absences due to injury or ill health service helping to support our staff to return to work and also mitigating any potential mental health impacts that can be associated with long term absences. Improving and contributing to employee and organisational health and wellbeing is a multi-faceted approach to support employees to remain at work, or return more quickly, whilst building individual resilience, embedding positive messaging and developing healthy lifestyle habits.

2. Equality and Diversity

East Sussex Fire & Rescue Service are committed to proactively approaching everything we do with fairness and impartiality, engaging and supporting all aspects of diversity in our workforce and our communities. The Strategy considers equality and diversity and ensures that each element of delivery will be subject to an Equality Impact Analysis.

3. Collaboration

This strategy will continue the work that was started in the 2017-20 Strategy building on the collaborative services that we have already started to deliver with a range of partners:

- The collaborative Occupational Health Service began in 2018 with our partners in Surrey Fire & Rescue Service and Surrey and Sussex Police.
- Tri-fire projects with our partners in Surrey and West Sussex Fire & Rescue Services, such as adopting a joint Health and Safety Management Framework, the joint pledge signed by all 3 Chief Fire Officers and shared operational noise assessments. This has now been extended to involve Kent Fire & Rescue Service.
- The NFCC South East Regional Health & Safety Forum where all 8 Fire and Rescue Services in the region meet quarterly to share information and best practice. 2019 saw the start of the peer audit programme with health & safety professionals from Kent, Surrey and West Sussex auditing ESFRS's health and safety management systems and arrangements.

4. Measuring Success

With the implementation of the 2017-20 Strategy, we have already started to receive positive feedback on and seen improvements in transparency of the reporting of the Service's health, safety & wellbeing performance.

This next strategy intends to build on these foundations and refine our reporting mechanisms, with an ambition to provide this information electronically through the provision of health & safety management system software.

The success of the Strategy will be measured against the aims and objectives of the Strategy and associated KPIs, as set out in the action plans in on page 8 and beyond.

5. Performance Measurement and Review

Performance measurement and review will continue to be undertaken formally through the statutory consultative groups of the Health Safety & Wellbeing Committee, the Occupational Health Collaboration Governance Board the HR Strategic Group and the Workplace Safety Representatives Committee.

The Health Safety & Wellbeing Team will also continue to attend and supply performance information to other relevant Committees and managers across the Service such as the Senior Leadership Team, Operational Assurance Group and Operations Committee, to name only a few.

6. Strategic Objectives

This strategy continues on from the Health Safety & Wellbeing Strategy 2017-2020 and further develops the work under the 5 key objective themes:

1. **Continuing to Build a Positive Health and Safety Culture**
   To integrate health and safety management into everyday processes so that it becomes an integral part of the workplace culture.

2. **Reducing Work-related Injury and Ill-health**
   To minimise, as far as reasonably practicable, work-related injuries and ill-health both mental and physical.

3. **Fire Fighter Safety**
   To adopt the Firefighter Safety Maxim, acknowledging that firefighters operate in hazardous environments whilst recognising the legal duty to ensure, as far as is reasonably practicable, the safety of everyone our operations may affect and the professional dilemma of maintaining safety and taking action to effect a rescue or mitigate an emergency.

4. **Contributing to the Future Health and Mental Wellbeing of all Employees**
   Investing in employees' physical health and mental wellbeing in order to support them in delivering frontline services.

5. **Organisational Wellbeing**
   To develop health and safety management systems in consultation and collaboration with our staff, promoting organisational learning, openness and transparency. To develop Occupational Health systems and processes in collaboration with stakeholders, to promote organisational learning, openness and a culture of health.

These strategic objectives will ensure that the Service integrates its statutory duties and industry best practice into service delivery for health, safety & wellbeing.

The delivery of the strategy will primarily be overseen and driven by the People Services Directorate, in particular the Health, Safety & Wellbeing Team, alongside HR, Occupational Health and the Health Fitness and Wellbeing Team within the OH collaboration. It must also be recognised that all staff at all levels in the organisation have specific health and safety responsibilities and so the Health Safety & Wellbeing Team will be reporting on their levels of compliance with policies and procedures across the organisation.

The Health Safety & Wellbeing Team will support colleagues in delivering on their own health, safety & wellbeing responsibilities by:

- Providing advice, support and guidance on how to comply with the Health, Safety and Wellbeing Policy;
- Supporting the development of safe systems of work which will help reduce harm and avoidable sickness absence.
- Being a source of competent health and safety advice and support to the service.
- Auditing the safety management arrangements to ensure they are suitable and sufficient and to provide assurance to the Fire Authority of statutory compliance.
- To learn from incidences causing injury or damage, to prevent recurrence and to investigate near hits to ensure injury and damage can be avoided.

- To work in partnership with colleagues in other departments e.g. HR and Occupational Health, to support staff returning to work after illness or injury and to reduce short and long term sickness absences.

The tables below detail the key deliverables under each strategic theme for the next 3 years, from 2020-2023.

Priorities for Year 1: 2020/21

What We Will Do	Key Milestones Including Final Completion	Performance Targets/Success Measures
Theme 1: Continuing to Build a Positive Health and Safety Culture		
1. To build on and strengthen the Health & Safety Business Partners model to increase engagement with staff across the service. To improve visibility and engagement.	Recruit new Business Partner 2020	Recruitment by February 2020. Evaluation of impact of BP Model (part of culture survey in Year 2)
2. In collaboration with colleagues in Operations Planning & Policy, Safer Communities and HR, further revise and develop the station assurance /audit process to stimulate greater engagement and organisational/operational learning and start to scrutinise and measure the impact of human behaviours.	Station Assurance Programme 2020/21	Delivery of Station Assurance Programme 2020/21 as reported to Operational Committees and relevant Health and Safety Committees
3. Continued enhancement of engagement with the Service Workplace Safety Representatives and develop tailored resources to support them in their role. This will effect greater engagement between the WSR and those they represent.	Quarterly meetings of the Workplace Safety Representatives Committee	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 2: Reducing Work Related Injury and Ill-Health		
1. Embedding the manual handling training delivery plan and upskilling with refresher training on plus size casualty handling to reduce this key risk of injury.	Training delivery programme 2020/21	Measure of training delivery as part of the Station Assurance Programme 2020/21
2. Continuation of the revision and development of leading and lagging performance indicators within the Service	Quarterly statistics paper as presented to the Workplace Safety Representatives	Monitored through governance structure of relevant Health & Safety Committees

and across other services through 3 Fire and the Regional CFOA Health & Safety Working Group.	Committee and Health Safety & Wellbeing Committee	
3. Gap analysis between HR sickness absence data and safety event data and develop relevant KPI's particularly looking at Musculo-skeletal disorders (MSDs) and stress related ill health.	Development of KPIs in collaboration with HR/Occupational Health Strategy	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 3: Fire Fighter Safety		
1. Decontamination and firefighter safety. Linking with a broad spectrum of other ESFRS strategies and working groups e.g. Station Design Guide, Lighter Appliances Group, Contaminants Working Group etc.	Contaminants Working Group	Monitored through governance structure of relevant Health & Safety Committees. SE Regional Workshop on contaminants (sharing research and best practice) co-ordinated and run by ESFRS. Participation in national research project with UCLan.
2. Physical wellbeing initiatives. Development of standardisation of PT network, enhance trend analysis through monitoring safety event data as age data is captured.	Bi-annual PTI standardisation meetings to commence 2020	FireWatch records of PTI attendance at standardisation meetings.
3. Independent investigation of all Level 2 Safety Events and Hazard Reports with all recommendations tracked until implemented.	Quarterly statistics paper and trackers as presented to the Workplace Safety Representatives and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 4: Contributing to the Future Health and Mental Wellbeing of all Employees		
1. Develop a Strategic Well-being Plan that sits alongside and integrates with the Strategic Workforce plan ie a focus on the views of	Draft Strategic Wellbeing Plan to HSWC July 2020 Signed off by SLT in October 2020.	A Strategic Wellbeing Plan that is aligned to the workforce data ensuring wellbeing initiatives have focus and are aligned to the needs of the Service.

our workforce and the key organisational data ie an ageing workforce		
2. Increase Wellbeing Champions Network to 30 (train an additional 10) and train the first 20 Wellbeing Champions in Mental Health First Aid.	1 x MIND Wellbeing Champion Course to run in 2020/21 2 x Mental Health First Aid Courses to run in 2020/21	FireWatch records of training courses as described.
3. Delivery of the collaborative Occupational Health Service. Integrating and embedding a proactive approach to the physical and mental health and wellbeing of all employees through the new OH service delivery.	Service delivery KPIs as developed by the Occupational Health Management Group	Reporting of KPIs to Workplace Safety Representatives and Health Safety and Wellbeing Committee. In conjunction with HR/OH Strategy undertake and complete a review of ESFRS counselling, physiotherapy and EAP contracts.
4. Support in the delivery of the actions plans for the Healthy Body and Healthy Mind working groups.	As detailed in the relevant Action Plans	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 5: Organisational Wellbeing		
1. Implementation of Year 1 of the Health & Safety Management System: Protecting Our People – Providing Assurance ((POPPA).	As detailed in the HSMS Delivery Plan	Monitored through governance structure of relevant Health & Safety Committees
2. Implementation of Year 1 of Audit Programme (as per the 5 year Audit Plan utilising the national H&S Audit Tools).	As detailed in Year 1 of the Audit Plan	Monitored through governance structure of relevant Health & Safety Committees
3. Implementation of staff access to private medical services and facilities.	Business case to be signed off and subsequent tender process completed.	Provider selected and implemented 2020/21
4. Review contracts for outsourced provision of OH Doctor, psychological and physiotherapy support.	Review of contracts to commence at the start of 2020.	New contracts or providers in place by August 2020

Priorities for Year 2: 2021/22

What We Will Do	Key Milestones Including Final Completion	Performance Targets/Success Measures
Theme 1: Continuing to Build a Positive Health and Safety Culture		
1. Implementation of the electronic Health and Safety Management System	As detailed in the HSMS software Business Plan	Monitored through governance structure of relevant Health & Safety Committees
2. In collaboration with colleagues in Operations Planning & Policy, Safer Communities and HR, further revise and develop the station assurance /audit process to stimulate greater engagement and organisational/operational learning and start to scrutinise and measure the impact of human behaviours.	Station Assurance Programme 2021/22	Delivery of Station Assurance Programme 2021/22 as reported to Operational Assurance Group, Operations Committee, Workplace Safety Representatives Committee and Health Safety & Wellbeing Committee
5. Undertake Health and Safety Culture Survey	As detailed in the Health & Safety Management System Delivery Plan	Survey results to be reported to Workplace Safety Representatives Committee and Health Safety and Wellbeing Committee
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 2: Reducing Work Related Injury and Ill-Health		
1. New KPI on RIDDOR and personnel on light duties.	Quarterly statistics paper as presented to the Workplace Safety Representatives Committee and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees
2. Continuation of the revision and development of leading and lagging performance indicators within the Service and across other services through 3 Fire and the Regional CFOA Health & Safety Working Group.	Quarterly statistics paper as presented to the Workplace Safety Representatives Committee and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees

What We Will Do	Key Milestones Including Final Completion	Performance Targets/Success Measures
Theme 3: Fire Fighter Safety		
1. Decontamination and firefighter safety. Linking with a broad spectrum of other ESFRS strategies and working groups e.g. Station Design Guide, Lighter Appliances Group, Contaminants Working Group etc.	Contaminants Working Group	Monitored through governance structure of relevant Health & Safety Committees
2. Independent investigation of all Level 2 Safety Events and Hazard Reports with all recommendations tracked until completion.	Quarterly statistics paper and trackers as presented to the Workplace Safety Representatives and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees
3. Implementation of local management KPIs for 3 yearly medical, asbestos medical and annual fitness test.	Quarterly statistics paper and trackers as presented to the Workplace Safety Representatives and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 4: Contributing to the future health and mental wellbeing of all employees		
1. Increase Wellbeing Champions Network to 40 (train an additional 10) and train the next 10 Wellbeing Champions in Mental Health First Aid.	1 x MIND Wellbeing Champion Course to run in 2021/22 1 x Mental Health First Aid Courses to run in 2021/22	FireWatch records of training courses as described
2.Ongoing delivery of the collaborative Occupational Health Service. Integrating and embedding a proactive approach to the physical and mental health and wellbeing of all employees through the new OH service delivery.	Service delivery KPIs as developed by the Occupational Health Management Group	Monitored through governance structure of relevant Health & Safety Committees
3. Support in the delivery of the actions plans for the Healthy Body and Healthy Mind working groups.	As detailed in the relevant Action Plans	Monitored through governance structure of relevant Health & Safety Committees

What We Will Do	Key Milestones Including Final Completion	Performance Targets/Success Measures
Theme 5: Organisational Wellbeing		
1. Implementation of Year 2 of the Health & Safety Management System: Protecting Our People – Providing Assurance ((POPPA).	As detailed in the HSMS Delivery Plan	Monitored through governance structure of relevant Health & Safety Committees
2. Implementation of Year 2 of Audit Programme (as per the 5 year Audit Plan utilising the national H&S Audit Tools).	As detailed in Year 2 of the Audit Plan	Monitored through governance structure of relevant Health & Safety Committees

Priorities for Year 3: 2022/2023

What We Will Do	Key Milestones Including Final Completion	Performance Targets/Success Measures
Theme 1: Continuing to Build a Positive Health and Safety Culture		
1. Embedding the use of the electronic Health and Safety Management System	As detailed in the HSMS software Business Plan	Monitored through governance structure of relevant Health & Safety Committees
2. In collaboration with colleagues in Operations Planning & Policy, Safer Communities and HR, further revise and develop the station assurance /audit process to stimulate greater engagement and organisational/operational learning and start to scrutinise and measure the impact of human behaviours.	Station Assurance Programme 2022/23	Delivery of Station Assurance Programme 2022/23 as reported to Operational Assurance Group, Operations Committee, Workplace Safety Representatives Committee and Health Safety & Wellbeing Committee
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 2: Reducing Work Related Injury and Ill-Health		
1.Link line managers with PTI, Service Fitness Adviser, HR Business Partner & OH for seamless case management process.	Development of structure in collaboration with HR and SFA colleagues	Monitored through governance structure of relevant Health & Safety Committees
2. Continuation of the revision and development of leading and lagging performance indicators within the Service and across other services through 3 Fire and the Regional CFOA Health & Safety Working Group.	Quarterly statistics paper as presented to the Workplace Safety Representatives Committee and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 3: Fire Fighter Safety		
1.In conjunction with HR/OH Strategy develop a Business Plan for the improvement of the health	Development of a business plan.	Monitored through governance structure of relevant Health & Safety Committees

support offering for all staff by offering access to private medical facilities.		
2. Independent investigation of all Level 2 Safety Events and Hazard Reports with all recommendations tracked until completion.	Quarterly statistics paper and trackers as presented to the Workplace Safety Representatives and Health Safety & Wellbeing Committee	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 4: Contributing to the future health and mental wellbeing of all employees		
1.Ongoing CPD for Wellbeing Champions Network of 40 and train the last 10 Wellbeing Champions in Mental Health First Aid.	1 x Mental Health First Aid Courses to run in 2022/23 CPD Programme for all Wellbeing Champions	FireWatch records of training courses as described
2. In conjunction with the HR/OH Strategy, explore the options for integrating Mental Health First Aid with the Occupational Health provision.	Development of an options package.	Monitored through governance structure of relevant Health & Safety Committees
What We Will Do	**Key Milestones Including Final Completion**	**Performance Targets/Success Measures**
Theme 5: Organisational Wellbeing		
1. Implementation of Year 3 of the Health & Safety Management System: Protecting Our People – Providing Assurance ((POPPA).	As detailed in the HSMS Delivery Plan	Monitored through governance structure of relevant Health & Safety Committees
2. Implementation of Year 3 of Audit Programme (as per the 5 year Audit Plan utilising the national H&S Audit Tools)	As detailed in Year 3 of the Audit Plan	Monitored through governance structure of relevant Health & Safety Committees

Sustainability Checklist for Strategies

All strategies require you to consider the environmental and sustainability section included in the strategy template.

There is a standard evaluation method for completing this. Please complete the questions below, considering carefully how the recommendations contained in your strategy may affect each of the criteria covered. This will help you develop these areas of your strategy document.

Aspect	***Positive***	***Negative***	***N/A***
1. Community Participation			
a) encourage local action and decision making			*x*
b) improve the sense of community			
c) take account of and/or empower underrepresented groups			
2. Economy and Work			*x*
a) assist low income/disadvantaged groups			
b) increase employment/vocational training opportunities			
c) provide opportunities for local businesses			
3. Health			
a) reduce factors that contribute to ill health (diet, poverty, lifestyle, etc.)	*x*		
b) improve health facilities	*x*		
c) provide healthy and safe working environments for staff	*x*		
4. Equality and Opportunity			
a) increase facilities for the young, elderly, or special needs groups			*X*
b) increase life-long learning opportunities			*X*
c) promote citizenship – e.g. racial or religious understanding			*X*
5. Transport			
a) promote or improve access to public transport			*X*
b) encourage walking or cycling			*X*
c) discourage unnecessary use of motor vehicles, thus reducing emission levels			*X*
d) improve the transport network			
6. Pollution			
a) reduce pollution of air, water and/or land			*X*
7. Energy			
a) reduce energy use and/or improve energy efficiency			*X*
b) generate energy from renewable sources			*X*
8. Environment			
a) create quality greenspace for community use			*X*
b) benefit biodiversity			*X*
c) conserve and enhance the built heritage			*X*
d) protect character of landscape and/or townscape			*X*
e) encourages sustainable production (e.g.- in case of procurement)			*X*
f) use sustainable design and construction techniques			*X*
9. Waste and Resources			
a) reduce amount of waste produced or reuse existing products			*X*

b) encourage recycling or the use of recycled products			*X*
10. Asset Management			
a) ensures best value in the use of the Fire Authority's built assets			*X*
b) takes account of and seeks to minimise whole life cycle cost of the Fire Authority's built assets.			*X*
11. Human Resources			
a) ensures efficiency in the use of human resources	*X*		

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EAST SUSSEX FIRE & RESCUE SERVICE

Committee:	Fire Authority
Date:	13 February 2020
Title:	Future Provision of Offshore Maritme Response Team
By:	Mark Andrews, Assistant Chief Fire Officer
Lead Officer:	Richard Fowler, Assistant Director OS&R

Appendices	Appendix A – Table showing FRS declared at sea capability

PURPOSE OF REPORT:	To update the Fire Authority on the East Sussex Fire and Rescue Service Maritime Response and outline proposals to remove the off shore capability in order to better faciliate the Statutory Responsibility for ship alongside firefighting resilience.

EXECUTIVE SUMMARY:	ESFA does not have a statutory duty to provide an offshore maritime firefighting capability. ESFA has the responsibility to use its resources to address any significant community risk it identifies as part of its IRMP and as a Coastal fire service with a Statutory Responsibility to provide resilience to a ship alongside incident should it occur at one of our ports. ESFA currently spends approximately £50,000 each year in providing our current Fire and Rescue Maritime Response (FRMR) team, known locally as the 'Maritime Team'. ESFRS has responded to a very limited number of operational incidents offshore over the past 14 years.

RECOMMENDATION	That the Fire Authority support Option 2 in Section 13 of this report, and withdraw the offshore maritime firefighting team in order to reinforce the Statutory ship alongside firefighting resilience.

1 BACKGROUND

1.1 ESFA currently provides funding for a Maritime Team to support the national response to an incident involving a fire, chemical hazard or industrial accident at sea. As part of the Demand Management Review under the current IRMP, the maritime capability has been reviewed by officers to provide the Fire Authority with options for the future offshore response capability.

1.2 There is no statutory duty imposed on fire and rescue authorities (FRAs) in the UK for the provision of an offshore firefighting capability and, as such, funding is not provided. However, coastal FRS's, of which there are 27, do have a statutory duty to fight fires on vessels alongside (i.e. in harbour) within their area by virtue of Section 72 of the Local Government Act 1972[1].

1.3 In 2009/10, the Maritime and Coastguard Agency (MCA) launched the Maritime Incident Response Group (MIRG), supported by funding from Central Government which, for the first time, standardised equipment, training and operational procedures, therefore providing greater interoperability in the national arrangements.

1.4 In the period in which MIRG operated, teams deployed operationally on 5 occasions. The first incident attended under MIRG arrangements was the MV CALYPSO, a passenger ferry with over 300 persons on board, which caught fire off the Sussex coast.

1.5 From January 2012, following the demise of the MIRG, and the Central Government funding that supported it, of the original 15 FRS who supported at-sea firefighting, as of January 2020 only 6 FRS's are still "Declared at Sea", including ESFRS. This arrangement is now known as the Fire & Rescue Marine Response (FRMR), which represents a National Fire Chief's Council (NFCC) work stream.

1.6 Since its inception, the ESFRS team has been one of the most operationally active Maritime Team in the Country. However the last deployment was to the MV Sea Charente during Feb 2009 (for assessment only) and the low frequency of incidents has led to a review of the future need for the provision of an offshore team.

1.7 In April 2012, the Fire Authority agreed to maintain an offshore response and agreed funding for this to be manged locally. To finance the additional burden of specialist training and maintenance of the transit equipment the ESFA provided the sum of £50,000 year-on-year, for a period of three years.

1.8 In February 2015, the Fire Authority agreed to continue funding the team but it was agreed that the team would reduce in size from 40 down to 26 firefighters and 10 officers to make a total team of a maximum 36. Annual funding of £67,000 was agreed for three years. The last deployment of the team was in February 2009 (for assessment only); this low frequency of incidents has now led to a review of the future need for the provision of an offshore team.

1.9 In February 2016 the Authority agreed a saving in the 2016/17 revenue budget of £3,000 relating to cost of storage at Newhaven. In February 2019 the Authority agreed a saving in the 2019/20 revenue budget of £30,000 relating to a reduction in the maritime service.

2 LEGISLATIVE CONTEXT NATIONAL/REGIONAL POSITION

[1] http://www.legislation.gov.uk/ukpga/1972/70/section/72

2.1 There is no statutory duty within the UK for a response to fires on vessels ‘at sea’, where ‘*at sea*’ is defined as “tidal rivers and estuaries where the significant wave height could not be expected to exceed 2m at any time, or seaward of these waters[2]”. However the Fire and Rescue Services Act 2004 (FRSA) confers powers on Local Authority Fire Services where they may make provision for dealing with incidents that occur outside of their area, e.g. 'at sea'. The FRSA further determines that this provision is not restricted to the territorial sea of the United Kingdom.

2.2 Appendix A attached shows the current national FRMR availability. A number of FRS have recently withdrawn their offshore capability. From 2020, only Cornwall, Jersey and Northern Ireland will be maintaining offshore firefighting teams, with Kent and Hampshire maintaining a smaller team that can provide an on-scene assessment and advice only.

2.3 The Marine and Coastguard Agency (MCA) is responsible for the initiation and co-ordination of civil maritime search and rescue within the United Kingdom search and rescue region. This includes the mobilisation, organisation and tasking of adequate resources to respond to persons either in distress at sea, or to persons at risk of injury or death on the cliffs or the shoreline of the United Kingdom. There is, however, no specific requirement identified relating to the provision of a dedicated capability to deal with fire, chemical hazards and industrial accidents at sea placed on the MCA.

2.4 The recovery of costs in relation to an operational incident remains an extremely complex legal area with individual FRS’s having to engage with ship’s owners, insurers and salvers in order to progress any claims, a situation that would still be applicable today outside the former MIRG Memorandum of Understanding. The Merchant Shipping Act 1995 is the basis on which the MCA recovers costs associated with maritime incidents and The Merchant Shipping and Maritime Security Act 1997 allows the Fire Service to reclaim costs from whoever calls them out to an incident. In practice this is usually the MCA as they would still task a FRS to attend. The FRS could also reclaim the costs from the ship’s owner (or insurer), if the MCA refuse to act.

2.5 The Localism Bill (Chapter 2 Part 9 Section 2 (1)) states that ‘a fire and rescue authority in England may charge a person for any action taken by the authority – (a) in the UK or at sea or under the sea’. It is currently unclear how this may be applied in relation to the provision of training, equipment and management structures prior to any action undertaken or the extent to which any limits on charging may be imposed e.g. Ch 2 Pt9 S2 18B (4) ‘does not authorise charging for rescuing individuals from serious harm, in the event of an emergency’.

3 ESFRS CURRENT CAPABILITY

3.1 ESFRS currently maintains a Maritime Team based at Newhaven Community Fire Station, supported by specialist officers.

[2] FRS Circular 35/2004

3.2 The current team is funded for 26 Firefighters based at Newhaven Fire Station and 10 officers. This capability secures two teams of 6 to deal with a fire incident on board a vessel at sea. ESFRS is also able to provide a team of 4, known as an *assessment team* that will consist of 2 officers and 2 firefighters. This assessment team will be able to board a vessel and make an initial assessment of the resources, command structure and tactical plan that will need to be implemented should the vessel arrive alongside in port.

3.3 All resources can be transferred to the casualty vessel by air using the MCA provided aircraft or by sea using the MV Watchful. The MV Watchful is a 40 foot vessel contracted by ESFRS to assist in this role when needed.

4 NATIONAL SITUATION

4.1 All Coastal FRAs have a statutory duty to provide a firefighting capability to ships alongside. However as there is no legal obligation to provide an offshore capability and the picture nationally is very mixed.

4.2 Some FRS still maintain a limited capability to respond offshore, but this response is unlikely to be able to extinguish a severe fire on a vessel. It is designed to contain a fire whilst the vessel is brought alongside, from where a serious attack on the fire can be made by land-based resources from the relevant FRS.

4.3 Fire Services that currently provide an offshore firefighting capability are: Kent, Hampshire, Cornwall, Jersey and Northern Ireland. Both Kent and Hampshire have confirmed that they intend to withdraw their firefighting capability during 2020 and retain an assessment team only.

5 MARITIME TEAM FUNDING

5.1 The funding required to allow the Maritime Team to operate can be broken in to three categories:

- Training
- Equipment
- Pay/Allowances/Insurance

5.2 Firefighters and supervisory managers on the Maritime Team are paid an Additional Availability Allowance (AAA) for providing an undefined amount of availability beyond their contracted hours. Arguably, a proportion of this allowance could also be considered an Additional Responsibility Allowance (ARA) for duties such as air transfer and Helicopter Underwater Escape Training (HUET), which are outside of the role map of a firefighter. If the Maritime Team were to be withdrawn, Service policy (and established custom and practice) requires this allowance to be protected for a period of time.

5.3 The Maritime Service has been delivered within budget since 2015 and following the saving taken at the beginning of 2019/20 the cost has been absorbed within the overall operations and insurance budgets.

The significant costs profile within ESFRS for 2019/20 (pre-saving) is as follows:

Retainer for support vessel	£4,500
Newhaven Crew (Maritime Allowance)	£20,500
Training:	
• Maritime firefighting training	£7,000
• Sea Survival/HUET Training	£2,000
• Exercises	£1,000
Equipment (purchase and maintenance) – Transportation	£8,000
Equipment (purchase and maintenance) – Firefighting	£6,500
Total	**£49,500**

5.4 If the Maritime Team capability is withdrawn ESFRS would not need to provide Sea Survival/HUET training, would not need to pay a specific additional Maritime Allowance to team members and would not need to maintain a contract for a support vessel.

5.5 The equipment used for offshore deployment includes flight suits, life jackets, and other minor ancillary pieces. The total value of this equipment is approximately £70,000 and this is replaced on an agreed cycle. On average, £14,500 per year is spent on equipment purchase and maintenance. Some of the equipment currently purchased for use by the Maritime Team will still be needed to deal with a ship alongside incident. An estimate of the equipment saving that would be made if the Maritime Team were to be withdrawn is £10,500 per annum.

5.6 A summary of the projected savings from the withdrawal of the Maritime Team is as follows:

Retainer for support vessel	£4,500
Newhaven Crew Maritime Allowance	£20,500
Training	£6,000
Equipment (Purchase and maintenance)	£10,500
Total Saving	**£41,500**

This exceeds the £30,000 already taken from the 2019/20 revenue budget. The remainder of the training and equipment (£8,000) would still be required to support operations for an incident involving a ship alongside.

6 SHIP ALONGSIDE FIREFIGHTING

6.1 ESFA has a duty to provide suitable resilience for a ship alongside fire and whilst ESFRS has responded to very few off-shore incidents over the past 14 years it is accepted that there will remain a risk of a ship fire off the coast of East Sussex. In these circumstances it is the responsibility of the Ship's Captain to navigate

the vessel to the nearest and most appropriate port. In the event this is in East Sussex ESFRS crews will respond to a ship alongside incident.

6.2 Officers have recognised the need to enhance our capability for dealing with a ship alongside incident, and widen the competency and training to crews at fire stations along the coast in Brighton, Hove, Roedean, Newhaven, Eastbourne, Bexhill and Hastings. A small amount of specialist equipment is also required.

7 CONSULTATIONS

7.1 Consultation has taken place within the following:

- Crews at Newhaven Fire Station
- NFCC FRMR forum meeting
- MCA
- FBU (informal)

7.2 The NFCC FRMR forum and MCA noted that we are reviewing our capability and have requested that we keep them informed of the outcome.

7.3 The FBU noted that we are reviewing our capability and have requested that we keep them informed of the outcome. They have only been consulted informally at this time. They recognise that the function falls outside of our statutory responsibilities and expressed concern that their members may lose an established allowance. Formal consultation will be necessary in due course, when a firm proposal can be tabled.

8 CROSS DIRECTORATE ISSUES

8.1 The Maritime Team is supported within ESFRS by Training & Development (training adminstration), Engineering Services (equipment maintenance), Operational Policy and Procedures, Health and Safety Department and Safer Communities (operational personnel).

8.2 If the maritime team were to be withdrawn in the future, the burden on the Engineering, Operational Policy and Health & Safety departments would be slightly reduced.

9 HEALTH & SAFETY ISSUES

9.1 Any changes to the deployment protocols as developed under FRMR have the potential to impact on the management of national risk assessments, safe systems of work, operational policies and procedures and maintenance of training competencies. It is therefore essential that the NFCC FRMR Group continues to undertake these activities to ensure that firefighter safety is not compromised.

10 LEGAL

10.1 There is no statutory duty imposed on East Sussex Fire Authority to provide a response to fires 'at sea'. However, the legislation permits the service to use its resources for this purpose if it wishes to do so.

11 COMMUNICATION IMPLICATIONS

11.1 If the Maritime Team were to be withdrawn, the change would need to be communicated sensitively to ensure that those members affected understand the reasons. This should also involve liaison with the NFCC FRMR Group to allow the national FRS impact to be assessed.

11.2 Communication with Training & Development will need to be clear and thorough to ensure expectations and limitations are understood.

11.3 The Communications team will need to be engaged to help inform the service of any decisions made.

12 SUMMARY

12.1 Off shore firefighting is not a Statutory Duty and with no new national finances available and significantly low demand, ESFA have the option to withdraw the off shore capability and redirect the provision to support the Statutory Duty for resilience for a ship alongside fire.

12.2 All funding needed to support training and equipment for ship firefighting alongside should be drawn from normal training and equipment budgets in the future, as this is necessary to support a statutory function.

13 OPTIONS CONCERNING THE FUTURE OF THE MARITIME TEAM

13.1 Members are asked to consider the future options for the ESFRS offshore capability given the information provided above on the current local and national situation. One of the two options below should be selected:

13.2 **Option 1**

Continue to operate a locally funded Maritime Team with the money drawn planned into the revenue budget, whilst working with the NFCC Marine Response Group. This would ensure that we are able to support the national interest around maritime response.

The estimated cost of keeping the Maritime Team is £49,500 per year.

13.3 **Option 2**

Withdraw the Maritime Team offshore capability due to the low frequency of calls and the non-statutory nature of the duty. The cost saving would be £41,500 per year. This is the recommended option.

FRMR Declared At Sea Table

FRS	Lead Assisting FRS		Assisting FRS	Asses't	Firefighting	Chemical Incident (DIM)	Technical Rescue (USAR)	NOTES
	Own Area	Other Areas						
Kent								Confirmed planned withdrawal in 2020, maintaining Assessment Team only in the future.
East Sussex								
Hampshire								Confirmed planned withdrawal in 2020, maintaining Assessment Team only in the future.
Cornwall								
Jersey								
Northern Ireland								
Scotland								Withdrew capability 27-2-17
Humberside								Withdrew capability 31-12-16
Norfolk								Withdrew capability 26-5-17

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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