

POLICY & RESOURCES PANEL

Minutes of the meeting of the POLICY & RESOURCES PANEL held via Webex at 11.30 am on Thursday, 21 January 2021.

Present: Councillors Peltzer Dunn (Chairman), Evans, Galley, Tutt, Pragnell, Sheppard and West (In place of Powell)

Also present: D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Matthews (Acting Assistant Chief Fire Officer), N Cusack (Assistant Director Operational Support & Resilience), L Ridley (Assistant Director Planning & Improvement), D Savage (Assistant Director Resources/Treasurer), H Scott-Youlton (Assistant Director People Services), P Jassal (Finance Manager), Woodley (Deputy Monitoring Officer) and A Blanshard (Senior Democratic Services Officer)

15 Declarations of Interest

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

16 Apologies for Absence/Substitutions

Apologies had been received from Councillor Powell. Councillor West was attending as her substitute.

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

There were none.

18 Minutes of the last Policy & Resources meeting held on 12 November 2020

RESOLVED: That the minutes of the meeting of the Policy & Resources Panel held on 12 November 2020 be approved as a correct record and signed by the Chairman.

19 Callover

Members reserved the following items for debate:

20. Revenue and Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25 Monitoring at Month 8
21. Fire Authority Service Planning Processes for 2021/22 and Beyond - Revenue Budget 2021/22 and Capital Asset Strategy 2021/22 to 2025/26

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20 Revenue and Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25 Monitoring at Month 8

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) on the findings of the month 8 monitoring undertaken on the Revenue and Capital Budget 2020/21 and Capital Programme 2020/21 to 2024/25.

The ADR/T introduced the report, highlighting that a net Revenue underspend of £496,000 had been identified. This was a favourable variation of £601,000 from the position presented in the last report to the Panel and was largely a result of underspend across the budget including the impact of Covid-19 in areas such as fuel, travel and subsistence, Member expenses and training. In-year pressures had been managed through the use of contingency and underspend. Ongoing pressures had been identified and fed into the 2021/22 budget setting process. With regard to the Capital Programme, there had been a significant level of slippage primarily due to Covid-19 but also as projects had been paused pending the outcome of the Integrated Risk Management Plan (IRMP) and challenges which had arisen in partner dependent projects. Full details of both the Revenue and Capital budget monitoring were set out in the report.

The ADR/T explained that additional spend incurred as a result of the pandemic was currently forecast to be covered by government grants totalling £770k, savings made in areas such as travel and subsistence and a bid to the government income loss scheme. However, the Service was now beginning to see the impact of the second peak and there was a risk that spend against Covid-19 would exceed the grants and savings. The Authority continued to monitor the situation and provide government returns on the spend impacts.

The Panel asked about carbon reduction and sustainability policy development and whether the budget underspend could be utilised to make progress in this area, especially given the opportunity that continued remote working may present in terms of both financial and environmental benefits. The Chief Fire Officer (CFO) commented that sustainability was due to be discussed at next Members' seminar and that provision had been made in the Capital Programme for renewables. Work was also being undertaken to develop a responsible procurement policy and in fleet and engineering opportunities in terms of electric vehicles and emission reduction were being explored. Additional resources had been secured via the University of Brighton to assist in establishing the Service's carbon footprint and the key opportunities to impact on this.

Members queried whether the current grant allocations were sufficient. The ADR/T responded that the government had extended the pensions grant and committed to baselining it into the funding settlement as part of the next Comprehensive Spending Review which was welcomed, however, this did not cover all potential pension risks. Sector-wide one-off grant funding to cover the initial impact of the Building Safety Review had been received but further budgetary pressures were expected as a result of forthcoming building safety

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legislation requirements for which there had been no further grant or baseline funding. Representations were being made to Government on these matters.

The Panel asked for a further explanation of the forecast loss of Treasury Management income as set out in paragraph 2.9 of the report. The ADR/T explained that as the Bank of England base interest rate had been reduced, the return from investments had been less than expected. Although the loss of income could not be included in the income loss grant scheme, the figures were being reported to the NFCC (National Fire Chiefs Council) and Home Office.

The Panel noted that the Service continued to monitor and report spend against the government Covid grants on a monthly basis. Funding had been received in tranches 1 and 2 but nothing in subsequent grant allocation rounds. It was now reaching the point whereby the grant funds had been spent or committed to future spend and any additional costs would have an impact on the Revenue budget. Areas which may result in additional expenditure included the provision of lateral flow testing and vaccinations as fire service staff were not classified as key workers under the current vaccination plans. The ADR/T added that there were mechanisms by which a bid could be made to the Home Office for additional funds but not before spend had reached £77k over the grant funding allocation.

Members asked for a further explanation of the Section 31 grant. The ADR/T explained that there were two aspects to the grant in relation to Business Rates - compensation for the loss of income due to the government decision to reduce the impact of the normal inflation increase and the capping of the multiplier and compensation for loss of Business Rate income due to the additional relief given to businesses to mitigate against the impact of the pandemic. The ADR/T added the additional Section 31 grant (about that budgeted for 2020/21) would be moved to reserves and released in 2021/22 to off-set anticipated reduction in collection income. This approach was consistent with local authorities.

The Panel congratulated officers on the successful bid for Community Infrastructure Levy funding for enhancements to Barcombe and Seaford stations.

RESOLVED: That Panel noted:

- (i) the risks to Revenue Budget and the projected underspend;
- (ii) the risks to the Capital Programme and the projected in year underspends;
- (iii) the reduced net forecast drawdown from reserves;
- (iv) the monitoring of savings taken in 2020/21 including those savings at risk, and

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- (v) the current year investments and borrowing;
- (vi) the transfer to contingency of £10,000 saving relating to Member expenses and conferences, due to Covid-19;
- (vii) the disposal of the ARP based at Eastbourne as agreed in the IRMP.

21 Fire Authority Service Planning processes for 2021/22 and beyond - Revenue Budget 2021/22 and Capital Asset Strategy 2021/22 to 2025/26

The Panel received a report from the ADR/T which presented the Fire Authority's draft Revenue Budget for 2021/22, the Capital Strategy 2021/22 – 2025/26 and the Medium Term Finance Plan (MTFP) for 2021/22 – 2025/26 for initial consideration prior to its formal consideration by the Fire Authority at its meeting on 11 February 2021. The draft budget proposals were subject to the finalisation of the local government finance settlement grant and Council Tax and Business Rate figures from the billing authorities.

The ADR/T explained that the report set out a base case for a 1.99% increase in Council Tax rates as well as a 0% increase alternative. He highlighted that a decision to freeze Council Tax for 1 year would impact permanently on the level of Council tax income that the Fire Authority could raise. A 0% increase would result in a reduction in annual income of £0.551 million in 2021/22 rising to £0.617 million per year by 2025/26 and additional savings would need to be identified in order to balance the budget. The total loss of income over the 5 year period of the MTFP would be just over £2.9 million. It was recognised that the public had been impacted as result of the pandemic, however, questions on Council Tax increases were asked as part of the IRMP public consultation and 80% of respondents supported an increase in council tax to fund fire and rescue services. Apart from Wealden District Council, other local authorities in the area were planning on taking the maximum basic Council Tax increase. The ADR/T added that there was significant uncertainty surrounding the budget beyond 2021/2 and a number of pressures had been identified in what was a challenging Star Chamber budget setting process. Further information on the risks were set out in paragraph 4.9 of the report.

The ADR/T highlighted some key budget proposals including investment in new People Strategy, the revenue impact of the IT Strategy, the extension of the interim control service until the end of September 2021, the need to progress regular wholetime firefighter recruitment and training and the top up of general balances to a 5% policy minimum. It was noted that savings of £0.5m had been identified for 2021/22 which included IRMP savings. The ADR/T added that the Authority faced a range of risks and significant financial uncertainty over the forthcoming years with a further Comprehensive Spending Review expected in 2021/22 and a review of the Business rate and funding formula. The MTFP set out a best case scenario based on settlement

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funding assessment (a combination of income from core grant and business rates) remaining the same in cash terms and a worst case scenario where it reduced by 5% each year. Under these scenarios the Authority would need to plan for further savings of up to £2.7m by 2025/26. Key assumptions made as part of the MTFP were set out in paragraph 4.2 of the report.

There would be a continued focus on efficiency in the areas of estates and transport, shared services and operational collaboration and investment in IT (CRM and Firewatch) and a planned reduction in overall reserves from £18 million to £3 million as Capital investment continued. From 2022/23 it would be necessary to start borrowing to continue to invest and there were plans to borrow in the region of £10 million over the 5 year period of the current Medium Term Financial Plan. The ADR/T confirmed that he was broadly satisfied that the proposed Revenue and Capital budget was based on robust and transparent estimates.

The Panel questioned whether it was right to ask the public for additional funding given the financial pressure that many would be feeling as a result of the pandemic and whether the budget had been 'over modelled' given it allowed for future pay increases when it was likely that there would be a public pay freeze and if there was some flexibility in the budget with regards to income from Business Rates. However, the Panel also recognised that a 1.99% Council Tax increase was relatively minor in terms of the impact on individual households and that not implementing the increase would cause a long term budgetary impact for the Service. The Panel was minded to not make a specific recommendation but that both a 1.99% and a 0% Council Tax increase budget options should be presented in the report to the Fire Authority so that all information was available to make a decision on the matter.

With regards to the points raised by the Panel on the validity and strength of the modelling, the CFO advised against suggesting reducing the budget for pay increases as decisions on pay agreements were not within the remit of the Fire Authority but were decided nationally. She added that the income from Business Rates was relatively small and reminded Members of the lack of additional funding for the implementation of the new fire safety legislation requirements which had not been included in the budget estimates. The recommendation to increase general balance reserves to 5% was to allow some flexibility to deal with risks associated with the pandemic and new regulation obligations.

The ADR/T clarified that the budget did not include any income from the Business Rates pool. The original income projection for the Pool for the Authority for 2020/21 was £400k, however, at the end of quarter 2 this had reduced to £200k. Actually income from the pool would not be received until after the billing authorities accounts for 2020/21 had been audited and closed. The ADR/T advised caution on over reliance on the Business Rates pool income. Although it may provide some additional flexibility, there was also specific criteria on what Business Rates pool income could be spent on. ADRT added that in order to present 0% increase budget option to the Fire

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Authority it would be necessary to identify savings in order to achieve a balanced budget and asked the Panel for direction.

Members acknowledged that not increasing the Council Tax would affect the baseline budget for a number of years and would be at odds with the lobbying of government for additional council tax flexibility. There was concern that if the 0% increase was not presented it would be put forward as a late proposal and the Fire Authority would not have access to the full information and consequences of the decision. The CFO commented that in terms of savings which would need to be made in order to achieve a 0% increase budget, these would need to include the IRMP proposals that the Authority chose not to vote for as these had already been risk assessed and costed as well as other cost cutting measures.

Councillor Pragnell moved an amendment to recommendation 2 to change the wording from 'consider whether' 'instructs officers'. This was seconded by Councillor Peltzer Dunn.

The Panel voted in favour of the amended recommendations, as set out below, 6 -1 (with Councillor Evans voting against).

RESOLVED: That the Panel:

1. Noted that:
 - a) the one year settlement as set out in the Local Government Finance Settlement was only provisional at this stage and may be subject to change;
 - b) the proposed increase in council tax of 1.99% was based on the threshold in the Provisional LGFS;
 - c) the East Sussex Business Rate Pool, of which the Authority was a member, had been approved as part of the LGFS, and that any income would be transferred into the Business Rates Pool Reserve; and
 - d) the final council tax and business rate bases and the collection fund positions were still awaited and that final budget proposals may change once this information was received.
2. Instructs officers to model an alternative council tax increase of 0% for 2021/22, how the current budget proposals can be reduced by £0.551m to compensate for the loss of income and include this as an option in the budget proposals for the Fire Authority.

The meeting concluded at 12.45 pm

Signed

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Chairman

Dated this

day of

2021