Public Document Pack

Fire Authority
9 February 2023

Membership:

Councillors: Galley (Chairman), Lambert (Vice-Chair), Azad, Dowling, Evans, Geary, Hamilton, Maples, Marlow-Eastwood, Nemeth, Osborne, Powell, Redstone, Scott, Taylor, Theobald, Ungar and West

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 07950 877168, democraticservices@esfrs.org

Agenda

194. 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.

195. Apologies for Absence

196. 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

197. To consider any public questions

198. To receive any petitions

199. Non-confidential Minutes of the Previous Meeting **5 - 8**

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

8 December 2022

200. 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.

Report of the Chief Fire Officer and Assistant Director Resources/Treasurer

Report of the Assistant Director Resources/Treasurer

Report of the Assistant Director People Services

Report of the Assistant Director Operational Support & Resilience

205. 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.

To approve the Confidential Minutes of the last meeting held on 8 December 2022

ABRAHAM GHEBRE-GHIORGHIS
Monitoring Officer
East Sussex Fire Authority

c/o Brighton & Hove City Council

Date of Publication: 1 February 2023

Information for the public

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

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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 10.30 am on Thursday, 8 December 2022.

Present: Councillors Galley (Chairman), Lambert (Vice-Chair), Azad, Evans, Geary, Hamilton, Hollidge, Kirby-Green, Maples, Marlow-Eastwood, Nemeth, Osborne, Powell, Redstone, Theobald, Ungar and West

Also present: D Whittaker (Chief Fire Officer & Chief Executive), D Norris (Deputy Chief Fire Officer), M Matthews (Assistant Chief Fire Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), J King (Assistant Director People Services), M Lloyd (Assistant Director Safer Communities), H Scott-Youldon (Assistant Director Operational Support & Resilience), E Curtis (Communications and Marketing Manager), V Waters, D Marshall, R Smith (Democratic Services Officer) and A Blanshard (Democratic Services Manager)

121 Declarations of Interest

There were none.

122 Apologies for Absence

Apologies had been received from Councillors Dowling, Scott and Taylor. Councillors Hollidge and Kirby-Green had been appointed to attend as substitutes for this meeting.

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

The Chairman welcomed Cllr Robert Nemeth to his first meeting as a full member of the Fire Authority having been newly appointed by Brighton & Hove City Council.

The Fire Authority recorded its condolences following the sad death of Councillor Garry Peltzer Dunn who had given many years of dedicated service to the Fire Authority. The meeting held a minutes silence in his memory.

The Chairman asked the Chief Fire Officer (CFO) to provide the meeting with a brief update on the position regarding the Fire Brigades Union (FBU) ballot for Industrial Action (IA). The CFO confirmed that the ballot was under way, due to close on 23 January, with the possibility of a week’s extension. If IA was voted for the FBU were required to submit formal notice of the earliest dates for any possible action. The Fire Authority was reassured that the Service was well prepared, its plans had been scrutinised by Government, but that in the event of IA its ability to respond to incidents would be reduced.

The Chairman addressed the recently published London Fire Brigade Cultural report which made for very difficult reading. However, it was important to say that whilst East Sussex Fire & Rescue Service (ESFRS) would never be complacent, this report was specifically about one Fire and Rescue Service. The Fire Authority had already signed up to the National Code of Ethics and undertaken significant work on its Leadership and Behaviour Framework, which had been well received across the service. Whilst in any large workforce there would be a small percentage of poor behaviour, the vast majority of our staff treat the public and each other in a positive way and deliver a professional service, in a caring way and it was very important that we continued to do so as a public service provided to our community.

124 To consider any public questions

There were none.

125 To receive any petitions

There were none.

126 Non-confidential Minutes of the Previous Meeting

RESOLVED – That the minutes of the meeting held on 8 September 2022 be approved and signed by the Chairman.

127 Callover

Members reserved the following items for debate:

191 Medium Term Financial Plan Update – Draft Savings Proposals
193 Medium Term Financial Plan Update – Draft Savings Proposals Confidential Appendix

128 Medium Term Financial Plan Update - Draft Savings Proposals

The Fire Authority considered the report of the Deputy Chief Fire Officer (DCFO) which briefed Members on current draft savings proposals designed to address the funding gap identified in the Medium Term Financial Plan for 2023/24. This was the first report to the Authority and was the result of an urgent review of all budget areas that had been conducted to identify savings opportunities. Members were not being asked to make any decision at this stage, but a refreshed list of draft proposals would be included in the budget papers that would be presented to them for decision at the Fire Authority meeting on 9 February 2023.

The Assistant Director Resources/Treasurer (ADR/T) informed Members that, in line with the report to the September Fire Authority meeting, the Service continued to forecast a reasonable worst case scenario of a budget gap of £3million, acknowledging we would not know the actual figure until the local government funding settlement had been announced in late December. The Service had undertaken a thorough review of departmental budgets through the Annual Star Chamber process. There had been no mention of Fire at all within the Government's Autumn Statement. It appeared that the general level Council Tax that could be set had been increased to 3%, this equated to approximately £300,000 additional income which was of course helpful but would not be sufficient. The possibility of a £5 increase for all Fire Authorities was still being discussed. The Finance Team were assessing the impact of inflation on the Service, utilities were procured through a Crown Commercial contract and so far, had added £350,000 to costs. The national revaluation of Business Rates burden had added £100,000 to costs. There would be no funding certainty until the Settlement was announced on a provisional basis in late December, however it was expected thatthis would only be for one year again, Finance Officers had modelled this as cash + 2% but there was some suggestion that this may be higher. Even if the settlement improved and the £5 Council Tax flexibility was approved, there was still the risk of a gap in the finances. The Chairman reminded the meeting that, as requested by the Fire Authority, there had been intensive lobbying of MPs and Ministers with regards to Council Tax flexibility.

A lengthy discussion followed. Members queried whether the salary shortfall noted in the report was based on the 5% offer that had been rejected. The ADR/T explained that a 2% increase had been modelled for each year, the figures in the report considered the £1925 flat rate offer that had been accepted by Green Book staff and the rejected 5% offer, if the increase was greater then the £3million funding gap would also increase. Members also asked whether the in year overspend/underspend had been included. The ADR/T confirmed that it had. The in year overspends were mainly due to the Wholetime firefighter numbers being over establishment and training costs. This was partly due to anticipated retirements not being as high as expected due to the national issues surrounding Firefighter Pensions remedy. There was work underway to manage down the overspends relating to training and on the wider training provision model.

Regarding the impact of the increased cost of utilities, Members asked whether the worst case scenario could in fact be even worse. The ADR/T explained that the Service currently brought services in a "6 month basket" but was looking to move to a "12 month Basket" to provide more security against the price fluctuations, but there were no guarantees.

Members asked what the impact of Industrial Action would be on the Budget. The impact of Industrial Action was unclear, it would depend entirely on the type and length of action that was taken. The spend would potentially be balanced by pay not being made during strikes, following the last strike it took two years to balance out the training costs. There was also a potential impact on pensions costs, those who went out on strike would lose their pension contributions and some may not have the means to buyback their contributions and the decision about employer contributions is at the discretion of each employer.

The Fire Authority agreed that there is a need to model the budget around both a 3% and £5 Council Tax increase option.

Councillor Maples proposed and Councillor Evans seconded the proposal that the meeting move into confidential session to discuss the Confidential Appendix to this report. The Fire Authority agreed to this proposal.

RESOLVED – The Fire Authority agreed to:

i. further development of the savings proposals;

ii. a suite of developed savings options being returned to the Fire Authority at its meeting on 9 February 2023 for approval as part of the final budget proposals for 2023/24; and

iii. that the proposals in (ii) should identify where formal public consultation was required.

129 Exclusion of the Press & Public

RESOLVED – That agenda item no. 39 be exempt under paragraph 3 of Part 1 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: they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 12.39 pm

Signed

Chairman

Dated this day of 2023

EAST SUSSEX FIRE AUTHORITY

Panel	Fire Authority
Date	9 February 2023
Title of Report	Fire Authority Service Planning processes for 2023/24 and beyond – Revenue Budget 2023/24 and Capital Asset Strategy 2023/24 to 2027/28
By	Dawn Whittaker, Chief Fire Officer and Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Alison Avery, Finance Manager

Background Papers

Fire Authority Service Planning processes for 2022/23 and beyond – Revenue Budget 2022/23 and Capital Strategy 2022/23 to 2026/27: Fire Authority 10 February 2022

Strategic Service Planning and Medium Term Financial Plan 2023/24: Fire Authority 8 September 2022

Medium Term Financial Plan Update – Draft Savings Proposals: Fire Authority 8 December 2022

Fire Authority Service Planning processes for 2023/24 and beyond – Revenue Budget 2023/24 and Capital Asset Strategy 2023/24 to 2027/28: Policy and Resources Panel 19 January 2023

Economic and Fiscal Outlook, November 2022- Office of Budget Responsibility.

Bank of England Monetary Policy Report – November 2022

Appendices

A Medium Term Finance Plan 2023/24 – 2027/28
B Revenue Budget Summary 2023/24
C Fees and Charges
D Capital Asset Strategy 2023/24 – 2027/28
E Reserves and Balances Policy
F Precept for 2023/24
G Establishment 2023/24
H Local Government Financial Settlement (provisional) Core Spending Power of Combined Fire Authorities
I Equality Impact Assessment
J Consultation Responses
K Provisional Local Government Settlement letter and response

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Implications

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

PURPOSE OF REPORT To present the Fire Authority's draft Revenue Budget 2023/24, Capital Strategy 2023/24 – 2027/28 and Medium Term Finance Plan for 2023/24 – 2027/28 for approval.

EXECUTIVE SUMMARY

The Authority's budget proposals for 2023/24 and its five year Medium Term Finance Plan (MTFP) were considered by the Policy & Resources Panel on 19 January 2023. Since that meeting the report has been updated to reflect:

- The latest council tax information including the Collection Fund position which has resulted in the forecast overall Collection Fund position for 2023/24 changing to a zero balance from the £0.4m deficit previously forecast

- Further updates to the Capital Asset Strategy to reflect the latest forecasts for delivery in 2022/23 and also inflation impacts on fleet schemes which together have increased the total value of the programme by £1.089m between 2023/24 and 2027/28.

- Revisions to the additional savings proposals required to balance the budget for 2024/25 as a result of feedback from stakeholders, particularly in relation to proposals regarding cover in Hastings.

Final business rates and collection fund positions have not yet been finalised and these remain as estimates as reported previously. The Local Government Finance Settlement (LGFS) is expected to be finalised when the Local Government Finance Report (England) 2023/24 is debated by Parliament during February 2023.

The Authority has continued to make progress in identifying and agreeing efficiencies and savings proposals over the last 12 months. The latest version of the MTFP shows that the Authority has already identified £1.295m of savings in 2023/24.

This report outlines proposals for setting a balanced revenue budget for 2023/24, including commitments, growth bids and new savings. Additional savings proposals which will, based on current forecasts, be necessary to balance the budget over in 2024/25 are also set out as the Fire Authority requested, to determine which tranches should be developed further and implemented, subject to appropriate public consultation.

The significant impact of worldwide supply chain disruption and levels of inflation in excess of 10% (CPI) on the Authority's current and future costs (both pay and non-pay) resulted in a reasonable worst case scenario of a £3m budget gap being identified in September 2022. As a result, the Authority intensified their lobbying of central government and local MPs to secure a sustainable financial settlement for the fire service, alongside wider lobbying by the local government and fire sector. The lobbying continued to highlight both the pressures and risks the fire service faces and its current imposed reliance on one off grant funding to cover significant costs. We understand that this lobbying and the evidence provided by the sector of the impact of inflation has played an important role in influencing the provisional settlement.

Although the Comprehensive Spending Review (CSR) conducted in 2021 covered a three year period, the Government only announced a one year settlement for 2022/23. In December 2022 the Government announced a further one year settlement for 2023/24 but accompanied by a Finance Policy Statement which sets out the principles on which the 2024/25 settlement will be based. The provisional LGFS delivered a better settlement than the Authority had expected, primarily because of the Government's guarantee of a 3% increase in Comprehensive Spending Power (before decisions on increases in council tax are made) and an increase in the council tax referendum threshold to 3% and in 2023/24 only, an additional flexibility for all fire authorities of up to £5. Whilst the settlement is welcome it still requires the Authority to make significant additional savings to balance its budget for 2023/24. There remains, however, significant uncertainty over the Authority's future funding for 2024/25 and beyond, and the Authority must continue to consider its long term financial sustainability when setting its budget for 2023/24 and agreeing its Medium Term Finance Plan (MTFP) for the next five years.

At the time of writing several key elements of the budget setting process remain outstanding:

- Confirmation of fire specific grants e.g., pensions and protection surge from the Home Office (HO) (currently assumed to be cash flat)

- Final information on the business rates and collection fund positions from the billing authorities

The budget proposals have been developed modelling a £5 council tax increase as directed by the Policy & Resources Panel. The MTFP sets out two scenarios for 2025/26 onwards – a higher range based on a 2% increase in Settlement Funding Assessment (SFA), and a lower range where SFA is cash flat. We have assumed a return to council tax increases of 1.99% from 2025/26.

The budget gap for 2023/24 is £0.636m. It is proposed that this is funded using reserves in 2023/24 as detailed in paragraph 8.3. The amount required to balance the budget for 2024/25 based on current modelling is £0.721m.

The use of one-off measures in 2023/24 will allow time for the additional savings proposals set out in section 7 to be further developed, consulted upon (where necessary), and implemented by 1 April 2024 (with additional approvals where necessary).

The use of reserves to balance the budget is a legitimate approach where it assists with smoothing the impact/delivery of planned savings, but the approach cannot form an ongoing part of budget setting as it is not financially sustainable. This will be the second year that the Authority has used its reserves to balance its budget.

There remains significant uncertainty for funding for 2024/25 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The new Prime Minister is only just beginning to set out policy priorities for the coming years, reforms to local government funding (business rates and the funding formula) are still expected and the impact of the levelling up agenda, devolution and fire white paper remain unclear. Given this, the future for public finance remains challenging. There also 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 Capital Asset Strategy (CAS) reflects the Authority's identified capital investment requirements for the next five years. As capital reserves are drawn down the Authority must now plan to enter into new borrowing over the life of the Strategy and the Treasury Management Strategy will carefully consider the options available. The Revenue impact of new borrowing is reflected in the MTFP from 2023/24 onwards. The current budget proposals and MTFP maintain the Authority's existing commitments to invest in its fleet and estate through its Capital Asset Strategy (CAS), and its IT and other assets through revenue funding. However, should future funding be towards the lower range of our modelling then proposals to scale back this investment may need to be considered in future years.

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 MTFP includes a number of measures to support financial sustainability over the medium term including additional contributions from the revenue budget into the General Balances to rebuild them to meet the Authority's policy minimum and a number of earmarked reserves to maintain some flexibility for future investment and reduce reliance on borrowing for maintaining and replacing existing capital assets.

RECOMMENDATION The Authority is recommended to:

1. Approve an increase in council tax of £5 and thus approve:

   (i) the budget proposals set out in this Report and the net budget requirement of £45.058m for 2023/24
   (ii) the council tax requirement of £31.093m; and
   (iii) the council tax and precepts as set out in Appendix F;

2. Approve the capital programme for the next five years and the capital budget of £8.421m for 2023/24 including the plan to use Community Infrastructure Levy (CIL), capital receipts, revenue contributions and new borrowing to finance capital expenditure;

3. Approve that the general balance remains below the Authority’s policy minimum of 5% of the net revenue budget until 2025/26;

4. Approve the fees and charges set out in Appendix C;

5. Approve the use of reserves as follows to balance the revenue budget in 2023/24:

   - £0.116m from Carry Forward reserve
   - £0.440m from Sprinkler reserve
   - £0.080m from Financial Stability reserve;

6. Approve that the Assistant Director Resources/Treasurer, in consultation with the Chief Fire Officer and the Chairman, be authorised to make any adjustments to the presentation of the budget to reflect the Final Local Government Settlement;

7. Note that a revised set of proposals have been presented in section 7 from those considered previously by the Fire Authority at its December meeting and those considered by the Policy & Resources Panel in January;

8. Note that as a result of the proposals being considered that two decisions made in the Integrated Risk Management Plan 2020/25 are proposed to change:

   (i) the original decision to:

   ‘***introduce a one-watch duty system at Bexhill, Crowborough, Lewes, Newhaven and Uckfield to work over 7 days with an establishment of 9’***

   is changed to the proposal in tranche 2 within section 7 below:

   ‘to be to remove On-call at Lewes and Crowborough and increase wholetime crewing from 9 to 10’ noting that this change provides the same level of service provision to the community’

   (ii) that the tranche 4 proposal has been further amended from:

   ‘Defer the introduction of the additional pump in Hastings and continue to move to a Day crewed duty system at The Ridge fire station from a shift

duty system and: Defer moving Bexhill to a 1 pump resilience station, maintaining the second appliance as a dedicated appliance, and in doing so provide additional cover in the Hastings area'

to

'Reconsider the delivery model in the East of the Service area, ensuring 2 immediately available appliances in Hastings, 24-hour period, 7 days a week.';

9. Approve pausing the implementation of the IRMP decisions taken in 2020 **to introduce a second full-time fire appliance at Bohemia Road Fire Station, increasing the staffing levels at that station,** and pause **The Ridge Fire Station changing to a 7 day a week "day crewed" system with a 1 watch staffing level of 9**. Noting that this pause presents no additional risk to the communities in Hastings. Service provision will remain as it currently is until new options are developed under tranche 4;

10. Approve the implementation of the changes detailed in tranches 1-3 noting that public consultation is not required;

11. Note that Officers will continue to develop options under tranche 4 and that once developed may require public consultation as described in section 8, to be agreed at the Fire Authority June meeting if necessary; and

12. Note that if savings can be achieved, without the need to revisit tranche 4, the decision to pause the implementation plan will be considered again as part of the Fire Authority's next Community Risk Management Plan (CRMP), to be consulted on during 2024.

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1. INTRODUCTION

1.1 The report sets out the proposed Revenue Budget for 2023/24, a revised MTFP for 2023/24 to 2027/28 as well as the proposed CAS and Capital Programme for the Authority for the period 2023/24 to 2027/28 for the Authority to consider. The report is based on the latest information available, but Members should note that 2023/24 represents a one-year settlement, which at the time of writing the report had still not been finalised. Estimates have also been used where full information from billing authorities was not available for business rates and / or where the operation of some Government grants is not yet clear.

1.2 The Provisional LGFS sets a council tax referendum threshold of 3% or £5, whichever is the higher, for 2023/24 for standalone Fire Authorities. As directed by the Policy & Resources Panel this report models a £5 increase in council tax.

1.3 The Government has issued a one-year Provisional LGFS for 2023/24, with the Finance Policy Statement providing an indication of funding levels for 2024/25. There is still significant uncertainty about the Authority's funding for 2025/26 onwards.

1.4 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months. Since 2010/11 total savings delivered are £10.751m, with further identified savings over the MTFP totalling £2.295m. Based on currently available information our MTFP forecasts that to produce a balanced budget in 2024/25 further savings of £0.721m are required.

1.5 The MTFP includes other changes to spending plans, the provisional LGFS and latest estimates on council tax and business rates. Taken together these show that the Authority can deliver a balanced budget in 2023/24 but only by the use of reserves. It is essential that the additional savings proposals set out in this report are implemented, subject to any required public consultation, to the levels necessary to balance the budget in 2024/25 and support a financial sustainable position over the medium term.

1.6 There remains significant uncertainty for funding for 2024/25 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The Authority must continue to consider its long-term financial sustainability when setting its budget for 2023/24 and agreeing its Medium Term Finance Plan (MTFP) for the next five years. Whilst the Government's Finance Policy Statement indicates the principles it will adopt for the 2024/25 settlement this can only be regarded as indicative and there is no commitment to continue to offer £5 council tax flexibility to fire & rescue services beyond 2023/24. The new Prime Minister is only just beginning to set out their policy priorities for the coming years, reforms to local government funding (business rates and the funding formula) are still expected and the impact of the levelling up agenda, devolution and fire white paper remain unclear. Alongside this, the Authority can expect to see the continued impact of supply chain disruption and associated inflation, new legislation on Business Safety (including the establishment of the Building Safety Regulator), His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) findings locally and nationally, the need for cultural change across the sector, pension costs, the implementation of the existing Integrated Risk Management Plan (IRMP) and the new Community Risk Management Plan (CRMP) and major projects such as Emergency Services Network are likely to impact on our financial position over the medium term.

1.7 Given the level of uncertainty, the Authority are lobbying for council tax flexibility of £5 to continue in 2024/25. The Provisional Local Government Settlement letter along with the Authority's response are included in Appendix K.

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. UK GDP is expected to decline by ¾% during the second half of 2022 reflecting the squeeze on incomes of higher global energy and tradeable goods prices. GDP is expected to continue to fall during 2023.

2.2 The official UK bank interest rate was increased to 3.50% from 3.00% in December 2022, having risen gradually from 0.75% at April 2022. It is expected to rise by up to a further 1% over the next 12 months before gradually reducing. The cost of borrowing through the Public Works Loan Board (PWLB) has risen over the corresponding period. The PWLB 25 year certainty rate has increased from 2.1% to 4.71% albeit the market has not yet priced in further rises following the Monetary Policy Committee's December 2022 meeting.

2.3 The Government continues to set the target for Consumer Price Inflation (CPI) at 2%. The November 2022 figure was 9.3% and the Office for Budget Responsibility (OBR) expects it to remain high at around 10% in the near term. CPI is then expected to fall sharply to 1.4% by November 2024 and to 0% a year later.

3. NATIONAL FUNDING

3.1 The Provisional LGFS announced in December 2022 set out a more positive settlement for the fire sector nationally than had been anticipated with core spending power (CSP) increasing for stand-alone fire and rescue authorities by 7.4% (up to 9.4% if full council tax flexibility is taken by all authorities). East Sussex's CSP increases by 6.6%, the second lowest of any CFA and it is one of only four CFAs that needed to receive CSP Minimum Guarantee grant. The Home Office (HO) is yet to confirm sector specific grants, but it is expected that, excepting the Firelink Grant which is being reduced to zero by 2026/27, all fire specific grants will remain at the same cash level as the current year. It is understood that the HO is reviewing the allocation of the Protection Uplift Grant which is something this Authority has lobbied for to reflect the actual risk in local communities.

3.2 The Provisional LGFS proposes a council tax referendum threshold of 3% or £5 whichever is higher for all standalone fire authorities in 2023/24. The Authority and the sector nationally have lobbied strongly for this increase in order to protect existing services, to invest in protection services post Grenfell and to address the areas for improvement identified by HMICFRS. The additional income from a £5 increase as opposed to a 2.99% increase is £0.608m in 2023/24 and £0.689m by 2027/28.

3.3 The Provisional LGFS was released on 19 December 2022. We have modelled on the basis of the Provisional LGFS and used the analysis provided by Local Government Futures (LGF). The main assumptions from a funding perspective are:

- SFA (including RSG, Service Grant, CSP Minimum Guarantee grant and Business Rates Top Up grant) is as set out in the provisional LGFS
- Locally retained business rates income and S31 grant in relation to business rates reliefs and under indexation of the business rate multiplier is as forecast by LGF
- that the council tax increase will be £5
- that the East Sussex Business Rate Pool continues for 2023/24 and any income will be transferred into the earmarked reserves (given current uncertainty regarding business rates the Authority does not budget for Pool income).
- that the 2022/23 pensions grant will be extended at the same level for another year, although this is yet to be confirmed by the HO.
- That the 2022/23 protection grant will be extended at the same level for another year, although this is yet to be confirmed by the HO.

3.4 The Local Government Finance Report (England) 2023/24 will be debated in Parliament at some point in February and there is a risk that final funding figures will not be announced in time for the Authority's budget setting meeting on 9 February 2023. This does not prevent the Authority setting either its budget or its precept, but it is recommended that authority is delegated to the Treasurer, in consultation with the Chairman and the Chief Fire Officer, 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 for 2024/25 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The Authority must continue to consider its long-term financial sustainability when setting its budget for 2023/24 and agreeing its Medium Term Finance Plan (MTFP) for the next five years. Whilst the Government's Finance Policy Statement indicates the principles it will adopt for the 2024/25 settlement this can only be regarded as indicative and there is no commitment to continue to offer £5 council tax flexibility to fire and rescue services beyond 2023/24. The new Prime Minister is only just beginning to set out their policy priorities for the coming years, reforms to local government funding (business rates and the funding formula) are still expected and the impact of the levelling up agenda, devolution and fire white paper remain unclear. Given the current and ongoing financial pressures across the whole of the public sector as a result of the current economic situation the outlook for fire funding continues to be challenging.

3.6 Part of the sector's offer to Government through CSR was to deliver improvements in both productivity and efficiency and work continues through the NFCC's Productivity and Efficiency Group to develop this, particularly how to define and track improvements in operational productivity.

3.7 The current assumption is that as part of the one-year only LGFS, losses from central Government policy changing business rates yield will be compensated for by a section 31 grant. Previously the MTFP relied on assumptions based on data from the billing authorities however the nature of the one-year LGFS means that it is preferred to use assumptions based on the 2022/23 actual data and announcements relating to the one-year LGFS supported by modelling provided by LGF.

3.8 Additional funding was provided to fire authorities 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. This funding was extended in 2020/21, 2021/22 and 2022/23 and was expected to be rolled into the settlement baseline for 2023/24. Whilst the Government has not yet announced sector specific grants, we understand that the pension grant will remain a direct grant from the HO for 2023/24 and in the MTFP, we have assumed that the 2022/23 grant will continue at the same value for the life of the MTFP (£1.735m).

3.9 The Authority has assumed cash flat for 2023/24 and beyond for ongoing grants such as Protection and New Dimensions. The Firelink grant will reduce to £0 by 2026/27 and this pressure is reflected within the MTFP.

3.10 The balance of the Tax Income Guarantee Scheme (TIG) grant received in 2021/22 will continue to be used to offset collection fund losses incurred as a result of Covid-19 in 2020/21 but accounted for in 2021/22, 2022/23 and 2023/24.

4. MEDIUM TERM FINANCIAL PLAN

4.1 The MTFP (Appendix A) reflects the modelling for 2023/24 set out in paragraph 3.3 above and then the scenarios in paragraph 4.2 for the remaining four years of the plan. Appendix A shows the higher range in detail and a summary of the impact of the lower range. It includes the latest information on business rates and council tax. The risks set out in paragraph 4.9 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 2025/26 extremely difficult. For that reason, the forecast within the MTFP for 2025/26 to 2027/28 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:

- any changes to the distribution of business rates or the funding formula 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 will continue based on current forecasts to 2024/25 and after that date will cease on the basis that rates will be reset.
- An increase in council tax base of 1.08% for 2023/24 and an increase of 1% pa in 2024/25 and thereafter;
- Increases of £5 in council tax in 2023/24, 2.99% in 2024/25 and 1.99% thereafter;
- Provision for pay increases of 4% for all staff in 2023/24, reducing to 2% pa thereafter;

- Provision for price increases of 2% in 2023/24 (excepting specific areas where provision for excess inflation is proposed) and thereafter;
- Delivery of savings in line with agreed plans, including those identified by SLT during the budget setting process and detailed in 6.8.
- That additional employers' pension contributions for the Firefighter's Pension Scheme are funded through grant at the same level as in 2022/23 and that any increases at the new valuation are also funded by Government grant.

4.3 Following a review by the East Sussex Finance Officers Association (ESFOA) an application to continue the East Sussex Business Rate Pool in 2023/24 was made and approval was confirmed in the provisional LGFS. Any member authority can decide to withdraw from the Pool before the consultation deadline of 16 January but this means that the whole Pool will cease. In previous years the decision to remain in the Pool has been delegated to the Assistant Director Resources/Treasurer after consultation with the Chairman and the Chief Fire Officer. This delegation was not revisited in the current cycle due to the timing of pooling announcements. However, the Service in line with all other members of the Pool has indicated its willingness to continue with the current pooling arrangement. The Authority has not budgeted for any Pool income in 2023/24 and any income received will be transferred into the Business Rate Pool Reserve. Members should be aware that if the Pool makes a net loss, then that will be shared proportionately to the benefits set out in the MoU which is 10% for this Authority. ESFOA's view is that the risk of this is low.

4.4 Overall, current forecasts for Collection Funds indicate a surplus of £0.056m in 2023/24 representing the release of the remaining TIG grant, with deficits of £0.200m thereafter.

4.5 For 2023/24 pay inflation for all terms and conditions is 4%. Provision is made for incremental progression and performance related pay (where applicable) and for the correction of historic anomalies and other changes in the pay budget identified through budget monitoring in the current year and an ongoing exercise to review and formalise the support staff establishment. The pay award for grey and gold book staff for 2022/23 is yet to be agreed and is assumed to be 5% in the MTFP, which is to be funded from the General reserve.

4.6 Price inflation has been allocated for specific items such as utilities and fuel identified during the budget setting process. The remainder of the originally allocated 2% price inflation, totalling £181,000, will be held centrally as an inflation provision. As noted earlier in this report the OBR forecast is for CPI to remain above the Government's 2% target during 2023/24 and it is intended this provision budget will be utilised to support any inflationary pressures.

Price inflation is included at 2% for 2024/25 and the remainder of the MTFP.

4.7 The MTFP also models two future funding scenarios:

- Higher range – SFA increases by 2% pa from 2025/26 (in line with our forecast for pay and price inflation)

- Lower range – SFA remains cash flat at 2024/25 levels

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, the Integrated Risk Management Plan (IRMP) and the additional savings proposed in this report;
- The significant costs likely to arise from the remedy to the successful legal challenge to the transitional arrangements for the FPS 2015 (increased employers contributions, compensation and administrative costs) and a number of other pensions cases, and a lack of clarity on whether the Government will fund those costs;
- Increased reliance on borrowing to fund future capital investment from 2023/24 onwards and the resulting impact on the revenue budget;
- Lack of clarity about the financial impact of the national Emergency Service's Mobile Communication Programme;
- The potential for pay awards to exceed the provision in the budget;
- The potential for non-pay inflation to exceed the provision made in the revenue budget and the capital programme
- Uncertainty about future governance and funding including:
    - the last year of the current three-year Comprehensive Spending Review and the period from 2025/26 onwards
    - the impact of any changes to the funding formula
    - for the impact of any changes to the business rates system
- The impact of local growth and additional housing, road and commercial risks;
- Any further development of local devolution proposals;
- the outcomes of the White Paper, including the potential role of Police & Crime Commissioners and any impacts locally to fire service governance in Sussex;
- Outcomes for the fire service nationally and locally from the HMICFRS inspection process including the ongoing process of cultural change and strengthening of inclusion and diversity;
- The impact of the Building and Fire Safety Acts on fire service responsibilities and the resultant costs of compliance/delivery.

4.9 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 £0.533m in 2023/24 (including on a one-off basis general non pay inflation provision of 2%) reducing to £0.385m by 2027/28.

4.10 In order to produce a balanced budget for 2023/24 a total of £0.636m will be funded by reserves. The use of reserves to balance the budget is a legitimate approach where it assists with smoothing the impact/delivery of planned savings, but the approach cannot form an ongoing part of budget setting as it is not financially sustainable.

4.11 The following financial sustainability provisions have been added into the MTFP:

- Increased contributions to the capital programme reserve, up to £3m by 2027/28 to match the expected baseline level of spend thereby reducing the need to take new borrowing
- Additional provision of £0.2m a year from 2024/25 to support further improvement and efficiency initiatives
- Provision of £0.5m to fund ESN and other IT projects beyond the current IT strategy
- Transfer of £1.021m to the general reserve to return to the reserve to the 5% policy minimum by 2025/26
- Provision of £0.184m in 2023/24 and £0.300m a year thereafter to fund workforce transition including cultural change and any one-off costs of the additional savings proposals set out in this report.

4.12 In overall terms the assumptions set out in the report mean that the revised MTFP shows a balanced budget in 2023/24 with the use of reserves and that a balanced budget is possible in 2024/25 with the delivery of savings totalling £0.721m from those proposed in section 6.8.

4.13 Due to the uncertainty over funding levels from 2025/26 two scenarios have been modelled. For 2024/25 we have modelled based on the 3% CSP minimum guarantee and then modelled:

- Higher range – assumes there is an increase of 2% on Settlement Funding Assessment from 2025/26,
- Lower range – assumes cash flat Settlement Funding Assessment from 2025/26

The MTFP higher range shows a budget gap for the final three years, which indicate additional base budget savings of £0.468m would be required. It should be noted that there is uncertainty over funding from 2025/26 and the MTFP lower range indicates additional savings of £0.947m would be required.

4.14 The impact of the proposed £5 increase in council tax as a % increase for each council tax band is set out in Appendix H and ranges from 3.3% at Band A to 10% at Band H. For member's information, support in place to assist council taxpayers who may find difficulty in paying their bills is also set out in Appendix H.

5. <u>PROJECTED REVENUE POSITION 2022/23</u>

5.1 The revised Service Revenue Budget for 2022/23 is £41.766m. Based on figures to the end of November 2022, and as reported to Policy & Resources Panel 19 January 2023, the revenue budget is forecast to overspend by £0.208m. Additionally, there are risks in the region of £400,000 to £500,000 comprising mainly the grey / gold book pay offers.

5.2 This report assumes that the spend will be brought back within budget for 2022/23 but that the pressure resulting from the grey book pay offer will be funded from General Balances.

6. REVENUE BUDGET 2023/24

6.1 Impact of national funding changes on local position

6.1.1 The Revenue Budget Summary for 2023/24 and the MTFP have been updated to reflect the provisional LGFS, and the most recent information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. The position is summarised below in Table 1.

Table 1: Summary of Impact of Local Government Finance Settlement

	2023/24 £'000
Locally Retained Business Rates	2,397
Top Up Grant	5,379
Business Rates Baseline	7,776
Revenue Support Grant	3,662
Service Grant Allocation	302
CSP Minimum Funding Guarantee	106
Settlement Funding Assessment	**11,846**
Estimated value of Business Rates Pool	0
S31 Grant - Business Rates Adjustment	2,063
Total for comparative purposes	**13,909**
As reported to Fire Authority September	12,772
Increase/(decrease) in funding	**1,137**

6.1.2 The Authority's council tax base for 2023/24 is calculated as 297,907.50, an increase of 1.08% on 2022/23. This increased tax base combined with a council tax increase of £5 yields additional income of £1.805m. In comparison, the tax base increased for 2022/23 by 1.46% and decreased for 2021/22 by 0.64%.

6.1.3 Overall, current forecasts for Collection Funds indicate no budgetary impact in 2023/24 (i.e. zero surplus / deficit), albeit this is based primarily on the council tax position as we do not yet have full information on business rates from the billing authorities. This is a change in the position reported to Policy & Resources Panel which forecast a £0.4m deficit on the Collection Fund.

Table 2: Movement in Resources

	2023/24 Latest position £'000	2023/24 Fire Authority September 2022 £'000	Increase / (Decrease) £'000
Locally Retained Business Rates	2,397		
Business Rates Top up	5,379		
Business Rates Baseline	7,776		
Revenue Support Grant	3,662		
Service Grant Allocation	302		
CSP Minimum Funding Guarantee	106		
Settlement funding assessment	**11,846**	**11,303**	**543**
Section 31 Grant Business Rates adjustment	**2,063**	**1,469**	**594**
Collection Fund Surplus / (Deficit) Council Tax and Business Rates	0	(200)	200
Covid-19 Collection Fund 75% compensation	56	56	0
Collection Fund	**56**	**(144)**	**200**
Council Tax Requirement	31,093	30,096	997
Total Resources	**45,058**	**42,724**	**2,334**

6.2 **Comparative position**

6.2.1 As part of the provisional LGFS the Government publishes an assessment of all authorities' core spending power (figures quoted are adjusted for the 3% council tax threshold). For 2023/24 this Authority's increase in core spending power is assessed as 6.6% which is lower than the average for stand-alone fire & rescue authorities of 7.4% (up to 9.4% if full council tax flexibility is taken by all authorities). It is the second lowest increase of all combined fire authorities with only Durham and Darlington at 6.5% lower. The Authority is also only one of four authorities receiving the CSP minimum guarantee grant (along with Hereford & Worcester, Devon & Somerset and Dorset & Wiltshire). Five authorities have increases of 8.0% (see Appendix H). The Government's calculation of core spending power (CSP) assumes that all authorities set a council tax increase at the referendum threshold. It also uses a five year historic average figure for council taxbase growth rather than the actual 2023/24 figure.

6.2.2 A comparison of Band D council tax for 2022/23 shows that this Authority ranks fourth highest out of 22 combined fire authorities. The Authority's Band D tax for 2022/23 was 8.3% higher than the authority ranked one below and 4.9% 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 the significant uncertainty for future funding

6.3.2 The Authority has since 2010/11 achieved £10.751m of operational and non-operational savings. The current MTFP has a savings requirement of an additional £2.295m over the period covered by the MTFP. This includes at least £0.721m relating to additional savings proposals from SLT as detailed in Section 7 of this report.

6.3.3 Precepting status means that the Revenue Budget must 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 2023/24 Revenue Budget has been prepared against a background of continued uncertainty regarding future funding for public services.

Table 3: Summary of Net Budget Requirement

	£'000	Change %
Original Estimate 2022/23	**41,766**	
Pay inflation	605	1.45%
Non pay inflation	246	0.59%
Changes in capital financing	15	0.07%
Commitments and bids	4,124	9.15%
Savings	(1,295)	(3.10%)
Reserve funding	(404)	(0.97%)
Original Estimate 2023/24	**45,058**	**7.88%**

6.4 Consultation

6.4.1 On 23 April 2020, the Authority agreed to commence an 8- week public consultation on the draft Integrated Risk Management Plan (IRMP) 2020-2025 ‘Planning for a Safer Future’. The full results of the consultation, which ended on the 19 June, were reported to the Fire Authority at its meeting on 3 September 2020 (Item 88).

The consultation programme was adapted considering the restrictions that COVID-19 and the associated lockdown brought. Guidance was sought from professional bodies including the Consultation Institute and our consultation services provider, Opinion Research Services. In addition, the Monitoring Officer gave legal advice on the COVID guidance for local authorities.

In total, 2,047 responses were received:

- 836 questionnaire responses were received
- 620 telephone surveys were completed
- 40 residents attended the focus groups or undertook a depth interview
- 38 stakeholders attended the webinar
- 360 unique submissions, 152 standardised submissions and one petition were received.

This is the highest number of responses received in any IRMP consultation exercise undertaken to date by this Authority.

6.4.2 The questionnaire included some questions related to the Authority's financial plans and the responses are summarised as follows:

The extent to which ESFRS offers value for money

- Open consultation questionnaire Around three quarters (74%) of respondents agreed that ESFRS offers value for money, whilst less than 1 in 10 (7%) disagreed, and around 1 in 5 (19%) neither agreed nor disagreed.

- Residents' Survey Almost 9 in 10 (88%) residents agreed that ESFRS offers value for money, whilst only 2% disagreed, and 1 in 10 (10%) neither agreed nor disagreed.

- Stakeholder webinar Of the 19 stakeholders who elected to answer this question, 12 agreed (7 strongly) that ESFRS offers value for money, 4 neither agreed nor disagreed and 1 disagreed. There were 2 'don't knows'.

ESFRS is considering options for future council tax rises in light of funding uncertainties beyond 2020/21

- Open consultation questionnaire More than 4 in 5 (83%) respondents would be willing to pay more in council tax for their local fire and rescue service (ESFRS) next year, whilst 17% would not be willing.

- Residents' Survey Around 4 in 5 (81%) residents would be willing to pay more in council tax for their local fire and rescue service next year, whilst around 1 in 5 (21%) residents would not.

- Public focus groups/depth interviews All but three public participants said they would be willing to pay more for ESFRS next year (one said they were not prepared to and there were two 'don't knows').

If you are willing to pay more in council tax for your local fire service next year, what level of increase would you accept?

Option A - an increase up to 3% depending on what the Government allows - Option B - an increase more than a 3%

- Open consultation questionnaire Of the respondents who would be willing to pay more in council tax for their local fire and rescue service next year, just over half (55%) preferred Option A (an increase of up to 3% depending on what the Government allows), whilst just under half (45%) preferred Option B (an increase of more than 3%).

- Public focus groups/depth interviews Among the 37 public participants who were prepared to bear an increase, opinion was almost equally split between those who would tolerate an up to 3% rise (18) and those who would tolerate an over 3% rise (19).

- Those who supported a more than 3% rise typically commented that the weekly increase would be 'less than a cup of coffee' and considered it a more than reasonable price to pay for an "essential" public service.

- Those who supported a less than 3% increase did so on the grounds of affordability, for themselves and for others – and the impact of the Covid-19 pandemic on people's finances was raised in the context of keeping increases to a minimum currently.

- Stakeholder webinar 16 of the 19 stakeholders offered a view as to the level of increase they would be prepared to tolerate: 5 opted for an up to 3% rise; 4 for more than 3%; and there were 7 'don't knows'.

6.4.3 The budget proposals have been shared with key business representative groups, partners and employee representative bodies with an invitation to comment. Responses are included in full at Appendix J and expressed concern both regarding the original IRMP decision relation to the Ridge and Rye Fire Stations, taken in September 2020, and the additional savings proposal regarding the deferring of the introduction of an additional pump into Hastings (Bohemia Road). The original tranche 1 (now re-numbered as tranche 4) proposal regarding Hastings has been subject to further development and revisions and updated additional savings proposals are set out in section 7 of this report.

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 the nationally agreed increase in pay it is proposed to increase the fees and charges in line with this inflation.

6.6 Main Variations

6.6.1 In setting the 2023/24 Revenue Budget several commitments have already been agreed, either previously as part of the 2022/23 budget setting or from the 2023/24 budget setting and Star Chamber process. These add to or reduce the revenue budget as pressures and cyclical items and one-off projects are added and removed. Some are fixed sums and others are driven by assumptions. The current position is illustrated in table 4:

Table 4: 2022/23 Budget Commitments

Description Budget Pressures	Directorate	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Existing Service Pressures approved February 2022						
Treasury Management income reduction	Central	10	0	0	0	0
ITG Strategy revenue implications	RT	0	26	(26)	0	0
New Service Pressures 2023/24						
Staff Pay - impact of 22/23 pay award	All	820	0	0	0	0
Staff pay – impact of 23/24 excess inflation pay award	All	605	0	0	0	0
Staff pay - incremental pay progression and changes to NI and pension contribution averages	All	86	0	0	0	0
External Audit - PSAA increase	RT	43	0	0	0	0
FireWatch Support Uplift	RT	12	0	0	0	0
PIT team Licences - minitab, Crystal reports	RT	6	0	0	0	0
Firewatch Annual Maintenance LearningPool	RT	2	0	0	0	0
Integration learning pool FW	RT	2	0	0	0	0
Fleet (Big Change to Transend)	RT	25	0	0	0	0
Airwave SAN H GBN and SAN J maintenance	RT	6	0	0	0	0
BI Mobilising database (Telent -fixed line)	RT	18	0	0	0	0
SAN-J Revenue increase	RT	4	0	0	0	0
Telent Service orders	RT	20	0	0	0	0
Infographics FW Oracle interface	RT	2	0	0	0	0
Pelion	RT	7	0	0	0	0
NCEC chemdata	RT	3	0	0	0	0
Screencloud	RT	3	0	0	0	0
Software subscriptions	RT	17	0	0	0	0
Airwave (Firelink - Reduction of Home Office Grant)	RT	119	48	48	48	0
CAM management	RT	3	0	0	0	0
Procurement Job Evaluations	RT	24	0	0	0	0
Workwear	RT	12	0	0	0	0
Estates Job Evaluations	RT	12	1	0	0	0
Utility Management Fees	RT	7	0	0	0	0
Courier Service	RT	15	0	0	0	0
Waste Disposal	RT	5	0	0	0	0
Planned Maintenance (Excess inflation)	RT	37	0	0	0	0
Term Contracts (Excess inflation)	RT	16	0	0	0	0

Reactive Maintenance (Excess inflation)	RT	17	0	0	0	0
Electricity (Excess inflation)	RT	337	0	0	0	0
Gas (Excess inflation)	RT	225	0	0	0	0
Legal Services (Excess inflation)	RT	4	0	0	0	0
Rates	RT	27	0	0	0	0
Phase 2 E-recruitment implementation (online testing)	PS	15	0	0	0	0
HR Maternity Cover (one off)	PS	8	(8)	0	0	0
Personal Protective Equipment for Firefighter recruits (one off)	PS	8	(8)	0	0	0
HR Job Evaluation	PS	8	0	0	0	0
HR Assistant Role (one off)	PS	2	(2)	0	0	0
Workforce Development training income no longer generated	PS	5	0	0	0	0
Transitional funding for training (two years only)	PS	160	0	(160)	0	0
Health & Safety income no longer generated	PS	2	0	0	0	0
Catering (Excess inflation)	PS	6	0	0	0	0
Fuel (Excess inflation)	SC	75	0	0	0	0
Joint Control Room	OSR	165	0	0	0	0
10% Allowance for Flexible Resource Pool	SC	19	12	1	1	1
Child Safety Contract income	SC	28	0	0	0	0
Dry Riser Testing income no longer generated	SC	31	0	0	0	0
Cadet units	SC	40	0	0	0	0
Performance Management Job Evaluation	P&I	5	0	0	0	0
Democracy Job Evaluation	P&I	6	0	0	0	0
Treasury Management income	Central	(140)	50	50	40	0
Workforce transition	All	184	116	0	0	0
Total Pressures		**3,178**	**235**	**(87)**	**89**	**1**
Budget Bids						
Bids Originating in 2022/23 budget setting process						
Top up Capital Programme Reserve	Central	500	500	500	500	500
Top Up General Reserve	Central	319	283	(502)	(100)	0
Top up I&E reserve	Central	0	200	0	0	0
Top up reserve - ESMCP	Central	0	0	250	(250)	0
Top up reserve - ITG Strategy	Central	0	0	0	250	(250)
4i	P&I	35	0	0	0	0
Comms and Engagement Strategy	P&I	30	(30)	0	0	0
Finance Improvement Plan - FBP Structure	RT	60	0	0	0	0
Finance Improvement Plan - One off costs	RT	(45)	0	0	0	0
LoB System Upgrades	RT	25	0	0	0	0
BA Washing Machine feasibility study (reversal of one off funding)	OSR	(15)	0	0	0	0
Additional pension resource (reversal of one off funding)	PS	(40)	0	0	0	0
Wholetime Recruitment	PS	(175)	25	(25)	0	0
Mentoring Scheme (reversal of one off funding)	PS	(15)	0	0	0	0
Salary Review - Korn Ferry (reversal of one off funding)	PS	(30)	0	0	0	0
HR Operating Models (reversal of one off funding)	PS	(10)	0	0	0	0
HR Intelligence (reversal of one off funding)	PS	(10)	0	0	0	0
Public consultation for CRMP	P&I	0	38	(38)	0	0
Advert and Publicity for CRMP	P&I	0	3	(3)	0	0

Technical Pensions Specialist (reversal of funding)	PS	0	(60)	0	0	0
Bids 2023/24						
Procurement additional 0.4 FTE	RT	19	0	0	0	0
Risk & Insurance shared post	RT	30	0	0	0	0
Additional pension resource (one off funding)	PS	34	(34)	0	0	0
Funding for pension resource (from People Strategy & Pension Admin reserves)	PS	(34)	32	0	0	0
EDI Training (bi-annual training)	PS	0	60	(60)	60	(60)
E-Recruitment	PS	0	4	0	0	0
Direct Entrant (Station Manager Level) - 2 years from June 2023	PS	48	18	(49)	(17)	0
Protection Grant Funding of Direct Entrant post	PS	0	(33)	33	0	0
Health & Safety - additional staff resource for 6 months	PS	42	(42)	0	0	0
Funding for Health & Safety resource (from carry forward reserve)	PS	(24)	24	0	0	0
Extending Pensions Technical Specialist - to end of 24/25	PS	4	60	(64)	0	0
Funding for Pensions Technical Specialist (from Pension Admin Reserve)	PS	(65)	0	66	0	0
Dynamic Cover Tool	OSR	23	0	0	0	0
Contribution to Mobilising Reserve	OSR	50	0	0	0	0
BA Project Manager - Unplanned one off cost	OSR	12	(12)	0	0	0
SSRI Regional post	OSR	6	(6)	0	0	0
IRMP Team	SC	30	(162)	0	0	0
Webcasting Fire Authority and Panel meetings	P&I	15	0	0	0	0
GM to support CRMP for 12 months	P&I	97	(97)	0	0	0
Officer to support HMICFRS Inspection process	P&I	42	(42)	0	0	0
Public consultation for MTFP additional savings	P&I	38	(38)	0	0	0
Advert and Publicity for IRMP - hard to reach groups	P&I	3	(3)	0	0	0
Comms and Engagement Strategy	P&I	(18)	18	0	0	0
Reversal of 4i bid from 22/23 budget setting	P&I	(35)	0	0	0	0
Gym Refurbishments (carried over from 2020/21)	PS	18	(18)	0	0	0
Drawdown from 20/21 carry forward reserve	PS	(18)	18	0	0	0
Wellbeing Projects	PS	20	(20)	0	0	0
Funding for Wellbeing Projects (from I&E reserve)	PS	(20)	20	0	0	0
Total Bids		**946**	**706**	**108**	**443**	**190**
Overall Total		**4,124**	**941**	**21**	**532**	**191**
Cumulative Total		**4,124**	**5,065**	**5,086**	**5,618**	**5,809**

6.6.2 The main variations reflect:

- Pay pressures as a result of higher pay awards than previously budgeted.
- Pay budget adjustments (including increments) – Provision is made for incremental progression and performance related pay (where applicable) and other changes in the pay budget identified through budget monitoring in the current year and an ongoing exercise to review and formalise the support staff establishment

- Workforce transition to cover one off costs relating to the additional savings proposals and ongoing sectoral requirement for cultural change
- Excess inflation identified, including for utilities, fuel and maintenance
- The ongoing reduction of the Firelink grant as advised by the Home Office
- Transitional funding for training to reflect pressures on overtime whilst a review of the service delivery model is carried out
- Joint Control Room costs, offset by savings relating to historic ICT Service Level Agreement for Control
- Top up of reserves to return the general reserve to 5% and provide sustainability over the medium term by topping up the capital programme, improvement and efficiency and IT strategy reserves
- Extension of IRMP team into 2023/24, with additional staff resource to support CRMP and HMICFRS work in 2023/24
- Extension of Pensions resources into 2023/24, with allocated funding from the Pensions Admin reserve

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 £13.046m of which £10.751m will have been delivered by the end of 2022/23. The MTFP includes savings of £1.295m for 2023/24 and savings of £2.295m over the duration of the MTFP. These savings are shown in table 5 below:

Table 5: Savings

Description	Directorate	23/24	24/25	25/26	26/27	27/28
		£'000	£'000	£'000	£'000	£'000
Removal of Temporary Increases						
Reduce contingency - one year only - reversal	Central	48	0	0	0	0
IT projects to be re-profiled - reversal	RT	33	0	0	0	0
Existing Service Savings approved February 2022						
Procurement Savings	Central	(25)	(25)	(25)	0	0
Insurance – installation of CCTV on fleet	RT	(15)	(15)	0	0	0
Telent Contract savings	RT	3	(8)	(12)	48	0
Firewatch Benefits Realisation	PS	(12)	(13)	0	0	0
Estates Strategy savings	RT	(45)	(45)	(45)	(45)	0
CRM Benefits Realisation	SC	(50)	0	0	0	0
IRMP Savings	SC & OSR	(49)	(297)	0	0	0
New Service Savings						
Finance Business Partner	RT	(60)	0	0	0	0
Finance Support Services Contract 1	RT	(35)	0	0	0	0
Insurance - removal of PA cover	RT	(23)	0	0	0	0
EIRS	RT	(27)	0	0	0	0
Trustmarque 0365 EA Agreement	RT	(20)	0	0	0	0
Astrium	RT	(8)	0	0	0	0
BT	RT	(22)	0	0	0	0

ITG Training	RT	(3)	0	0	0	0
SEE Phase 4	RT	(30)	0	0	0	0
Finance and Improvement	RT	(30)	0	0	0	0
Additional Rates Savings	RT	(106)	0	0	0	0
Existing Estates Savings Target	RT	45	45	16	0	0
Licenses	RT	(4)	0	0	0	0
Consultants Fees	RT	(20)	0	0	0	0
E-recruitment (Jobtrain system contract + accessibility)	PS	(4)	0	0	0	0
Firewatch Benefits Realisation - reversal of duplication of savings	PS	25	0	0	0	0
Firewatch Benefits Realisation – reprofiling of savings	PS	12	0	(12)	0	0
HR Travel and licences budget savings	PS	(9)	0	0	0	0
NHS recharges	PS	(4)	0	0	0	0
VDU Eye Tests	PS	(2)	0	0	0	0
Occupational health third party - psychology	PS	(8)	0	0	0	0
Occupational health third party - medical fees	PS	(10)	0	0	0	0
Officers Subsistence	PS	(1)	0	0	0	0
EDI training	PS	(10)	0	10	0	0
Car allowance	PS	(4)	0	0	0	0
External Training	PS	(160)	0	160	0	0
Engineering Fitting Out	OSR	(30)	0	0	0	0
Engineering Heavy Rescue Equipment	OSR	(52)	0	0	0	0
Control ICT SLA	OSR	(199)	0	0	0	0
Budget Coding Error - CRM	SC	(54)	0	0	0	0
Additional Availability Allowance	SC	(20)	(16)	0	0	0
NI reduction	All	(230)	0	0	0	0
Support Staff Pay Vacancy Factor	All	(80)	0	0	0	0
Required savings	All	0	(721)	0	0	0
Overall Total		**(1,295)**	**(1,095)**	**92**	**3**	**0**
Cumulative Total		**(1,295)**	**(2,390)**	**(2,298)**	**(2,295)**	**(2,295)**

6.7.2 Within the MTFP it has been assumed additional savings of £0.721m will be made with effect from 1 April 2024, as shown in the table above.

7. DEVELOPMENT OF SAVINGS PROPOSALS

7.1 Due to the funding uncertainty, savings proposals were developed and presented to the Fire Authority at its December meeting, and considered in more detail by the Policy & Resources Panel in January.

7.2 The proposals were developed following engagement with several key stakeholders, including Members, Service Managers and Representative Bodies, and based on the following assumptions and principles:

- In-year temporary measures are required to balance the budget in 2023/24
- The original modelling assumption was a reasonable worst case scenario requiring additional savings of £3.0m. This was reduced to £1.014m (£5 option) to £1.662m (2.99% option) in the report to Policy & Resources Panel in January and £0.721m (£5 option) in this report
- All areas of the organisation were considered to prepare options
- All reasonable actions will be taken to avoid compulsory redundancies, which will be achieved through early planning and effective resourcing of the Implementation Team
- The Fire Authority will continue to lobby Government Ministers regarding sustainable funding through both Members and Officers.

7.3 The Service completed a comprehensive review of operational risk in 2019-20, the Operational Response Review (ORR), which modelled community risk and vulnerability across East Sussex and Brighton & Hove to support the Integrated Risk Management Plan (IRMP) 2020-25. This risk modelling remains current and relevant.

The proposals continue to achieve the Operational Resilience Plan (ORP) as agreed by the Fire Authority as part of the 2020/25 IRMP. The ORP ensures the provision of 18 appliances in the strategic locations previously identified by risk, supported by an additional 6 relief pumps on a delayed turnout. The list of proposals was assessed against 6 principal criteria, which then informed the priority of the tranches:

- Community Risk
- Financial Saving
- Political support
- Time to implement
- Staff Impact
- Legal implications

7.4 Table 6 sets out a refreshed set of savings proposals following the decision of Policy & Resources Panel to only recommend the previous tranches 1-4. Table 6 reflects a refreshed proposal for Hastings following further work by officers as the financial position has improved.

7.5 The proposals also consider decisions made as part of the current IRMP 2020/25. At the time the IRMP was approved, the Authority was clear that the IRMP may need to be revisited should the budget not be able to be balanced through efficiencies. Two of the proposed tranches revisit IRMP decisions.

7.6 At the September 2020 meeting, the Fire decided to ***'introduce a one-watch duty system at Bexhill, Crowborough, Lewes, Newhaven and Uckfield to work over 7 days with an establishment of 9'***. The tranche 2 proposal modifies the previous decision: ***to remove On-call at Lewes and Crowborough and increase wholetime crewing from 9 to 10.*** This proposal provides the same service delivery model which is an immediate response during the day and an on call response at night but delivers savings. More information is contained in paragraph 7.10.1.

7.7 The current Tranche 4 proposal has been further developed from that considered by the Fire Authority in December and by the Policy & Resources Panel in January. The proposal in January was to:

Defer the introduction of the additional pump in Hastings and continue to move to a Day crewed duty system at The Ridge fire station from a shift duty system and:

Defer moving Bexhill to a 1 pump resilience station, maintaining the second appliance as a dedicated appliance, and in doing so provide additional cover in the Hastings area

Due to the more favourable financial position, the previous level of change is no longer necessary, and has been developed to:

Reconsider the delivery model in the East of the Service area, ensuring 2 immediately available appliances in Hastings, 24 hour period, 7 days a week.

7.8 This proposal revisits the decision made by the Fire Authority that a ***'second full-time fire appliance will be introduced at Bohemia Road Station, increasing the staffing levels at that station and The Ridge fire station changing to a 7 day a week "day crewed" system with a 1 watch staffing level of 9.*** The work required to deliver the original decision was planned to start April 2023.

7.8.1 The Fire Authority are asked to agree to pause the implementation of this original workstream (changes to the two Hastings stations). This pause presents no additional risk to the communities in Hastings. Service provision will remain as it currently is until new options are developed under tranche 4. Options developed to provide 2 immediately available appliances, and realise the level of savings, will be brought back to the Fire Authority at a later date. More information is contained in paragraphs 7.12.1 and 7.12.2.

7.8.2 However, if savings can be delivered throughout next year without the need to revisit tranche 4 the decision to pause will be considered again as part of the Fire Authority's next CRMP which will be consulted on during 2024. The Fire Authority is asked to note that the decision to pause this planned area of work, if agreed, will be included in the communications following this meeting.

7.8.3 **Table 6: Tranches**

Tranche	Description	Revenue Saving £'000	Date Saving taken by	Public Consultation
1	Remove 3 Retained Duty Support Officers posts	(185)	April 24	No
2	Remove On-call at Lewes and increase wholetime crewing from 9 to 10	(42)	April 24	No

	Remove On-call at Crowborough and increase wholetime crewing from 9 to 10	(66) (108)	April 24	No
3	Structural review & Related ways of working	(350)	April 24	No
	Reduction of Estate	(80)	April 24	No
	Departmental savings (non-staff related)	(200)	April 24	No
		(630)		
	Tranches 1 – 3 total	**(923)**		
4	Reconsider the delivery model in the East of the Service area, ensuring 2 immediately available appliances in Hastings, over a 24 hour period, 7 days a week. The delivery model should provide a set of options addressing any final financial shortfall through the MTFP not addressed by tranches 1-3. Additional savings may not be required from this tranche but a sliding scale of options optimising Service delivery will be set out up to £300K, considering: • Current IRMP decisions • Crewing models • Crewing of specialist appliances	(up to £300K)	April 24	Depending on options a decision will be taken on whether consultation is appropriate
	Tranche 4 total	**(Up to £300K**		
	Summary			
	Tranches 1 – 3	(923)		
	Tranche 4	(300)		
	Tranches 1-4	(1,223)		

7.9 **Tranche 1: Remove three Retained Duty Support Officers posts:**

7.9.1 Under the current financial position, it is proposed that the three retained duty officer roles that were confirmed as part of the Service Delivery Review in 2017 be removed. The On-call support officer roles have brought significant benefit but it is now intended that the key references are picked up by the station manager cadre that increased from 20 to 24 through the same review. The Assistant Director of Safer Communities is working with the on-call action learning set to ensure the value and learning from these roles is captured and delivered through alternative means.

7.10 **Tranche 2: Remove On-call at Lewes and increase wholetime crewing from 9 to 10, Remove On-call at Crowborough and increase wholetime crewing from 9 to 10**

7.10.1 The on-call staff at both Lewes and Crowborough support the crewing of the P1 fire appliance at the respective stations. A spare appliance is also housed at Crowborough and the on-call staff can crew this appliance if crewing levels permit. Availability in 2022/23 is 20% from April to December and 25% in 2021/22. The Fire Authority agreed the Operational Resilience Plan through its last IRMP which enhances appliance availability to a minimum of 18 appliances from the current 15 appliances available through the current core station policy. Both P1 appliances at Crowborough and Lewes form part of the 18 appliances the Service has identified as providing the optimal impact based on the 9 years of incident data assessed as part of the current IRMP. It is proposed to increase the day crewed sections at both stations by one (moving from 9 to 10 staff) and remove the on-call sections from each of the two stations. This has the effect of guaranteeing 24/7 cover 7 days a week at each of the stations at a reduced cost. The on-call colleagues at Lewes and Crowborough will be offered redeployment opportunities as set out within current policy.

7.11 **Tranche 3: Structural review & Related ways of working**

7.11.1 It is proposed that the organisation's functional structure is reviewed. The requirements placed on the Service have changed over the years and it is timely to holistically re-evaluate the current and future needs of the Service, the skills required to meet these needs, resulting in a set of proposals for change that it is envisaged can deliver greater effectiveness with a potential saving. By reviewing our estate, it is proposed we consider options to deliver additional savings beyond the £45,000 per annum already built into the MTFP. The focus will be on opportunities through a formal review of Post Covid Ways of Working to reduce our current Headquarters footprint. During a series of management forums, a number of proposals that may enable additional departmental savings has been identified. These require further development before quantum and timeline can be confirmed.

7.12 **Tranche 4: Reconsider the delivery model in the East of the Service – *changed from that presented in January***

7.12.1 We will continue to consider the delivery model for the East of the Service in order to enable the continued provision of 2 immediately available appliances in Hastings, 24 hour period, 7 days a week. In order to achieve this within the required savings envelope of the current MTFP, the options will be further developed and returned to the Fire Authority in June 2023, in time for public consultation if required and prior to implementation.

7.12.2 These options will consider the current planned IRMP changes, and meet any residual savings not achieved by tranches 1-3. Some or all the options may not be needed at this stage, however this approach will ensure the Fire Authority are provided the flexibility and achieve a balanced budget over the next 2 years. It is possible that savings options not required to balance the 2024/25 budget may need to be revisited in the back three years of the MTFP, once there is greater clarity about the financial position.

Therefore, a set of East Group options will be set out in tranche 4 that will have considered:

- Current IRMP decisions
- Crewing models
- Crewing of specialist appliances

All options should be planned to ensure any savings requirements can be taken by April 2024 in the first instance.

8. CONTEXT AND LEGISLATIVE BACKGROUND FOR CONSULTATION

8.1 The Fire Authority has a legal duty under Best Value to consult with relevant organisations and the public when facing difficult funding decisions. The Service has a robust process for consultation and communication to provide stakeholders, the public and staff with clear and relevant information. The Service has been recognised by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services as being effective in this area.

8.2 The Government's Fire and Rescue National Framework for England provides guidance on integrated risk management planning and that an IRMP should:

'Reflect effective consultation throughout its development and at all review stages with the community, its workforce and representative bodies, and partners'

8.3 The Service consulted on the Planning for a Safer Future IRMP in 2020. The results of the consultation led to several modified proposals that were agreed at the Fire Authority meeting 9 September 2020. As articulated in this report, there is now a need to revisit the proposals in order to meet the budget pressures being experienced by the Service. As such, some of the proposals in the 2020-2025 plan have been reviewed in order to meet the financial savings and will form the basis of a communication and consultation programme.

8.4 **Consultation and Communication Plan**

8.5 If it is determined that public consultation is required prior to any Fire Authority decision on tranche 4, it is proposed that the consultation period will be 8 weeks, this is in line with previous consultations at the Service. Previous Government guidelines in 2013 stated: 'The timing and length of a consultation should be decided on a case-by-case basis; there is no set formula for establishing the right length. In some cases, there will be no requirement for consultation, depending on the issue and whether interested groups have already been engaged in the policy making process.' Updated advice in 2016 states: 'Judge the length of the consultation…taking into account the nature and impact of the proposal.'

8.6 The Service has been running consultations for IRMPs and service reviews for many years and has found the following trends in responses to be typical:

- Interested parties respond very quickly, sometimes using more than one method of communication
- Any media coverage is usually immediate and will raise the public's interest very quickly after information is released

- People who attend the focus groups, forums and staff meetings tend to respond straight afterwards once information has been received and discussed
- Once initial meetings and communications have been sent, reminders do elicit further interest but at a very much lower level than the first responses
- During the last 2 or 3 weeks of the consultation period there is very little interest and requests for information have usually died down completely
- Regardless of the timescale there will always be people who respond after the deadline resulting in their responses being too late to be included in the resulting report.

8.7 It is felt that our proposed combination of consultation methods, each providing early opportunities to provide information to all audiences, using multiple channels and various communication styles, will allow stakeholders sufficient time to provide a considered response within an 8 week consultation period.

8.8 The start and finish and times of the consultation is yet to be confirmed but will take place after the local elections in Brighton and Hove on 4 May 2023. If required, the decision to consult will be considered at the Fire Authority meeting in June and the 8 week consultation will begin soon after and into August. The findings will be written up by the provider and the indicative timetable estimates that these will be considered by the Senior Leadership Team in November, prior to consideration at the Fire Authority at its meeting in December.

8.9 **Consultation Methods**

8.10 It is recommended that the consultation will follow a similar format to those undertaken previously. The following methods are suggested:

- Publication of the relevant documents on the Service web site
- An online questionnaire hosted by an external consultation provider
- Internal communications
- Emails/letters to councillors, businesses, stakeholders and community groups inviting them to view and consult on the review online
- Social media coverage
- Fire Authority Member engagement
- Staff forums
- A stakeholder forum and 3 public focus groups facilitated by an external provider.

8.11 The Service is currently in the process of preparing a specification in order to tender for an appropriate provider.

8.12 **Communications**

8.13 This consultation presents different challenges to previous exercises as the proposals are as a result of the pressure on the budget. A careful explanation is needed to ensure that the public understand that the proposals are based on the need to make financial savings and that scope for alternatives is limited. There has already been media and public interest in these proposals. This has revealed the need to be clear about the difference between 2020 consultation outcome and the current proposals.

8.14 **Objectives**

There are three number of key objectives for our communications plan:

- To contextualise and explain the changes
- To encourage participation in the consultation
- To explain next steps

8.15

1. **Increasing reach -** We will make information readily available in a range of formats. We have previously deployed free or low cost options and will repeat the most successful routes for engagement again.

2. **Digital Communication -** The website will act as a central hub for information about the consultation. It will include a link to the online survey once it is opened. We will use social media including low cost advertising options to target members of the public in our local area. We will correct factually inaccurate information and encourage people to take part in the consultation. FAQs will be added to the website. We will make clear that social media comments will not be included in the consultation report and they need to answer the consultation questions.

3. **Media engagement -** The media is a very powerful route to a wide range of audience groups and proved successful at reaching a different audience to that reached by digital communications. This will be focused on the launch of the consultation. There will be media monitoring in place to help measure the reach of this form of communication and help identify areas where we may need to promote the consultation further.

4. **Stakeholder engagement -** As mentioned above, stakeholder engagement is a key strand of this communication plan. We will directly email a number of key stakeholders including but not limited to: Councils including Parish Councils, charities and support groups and partners. We will use our own newsletters and provide information to other key stakeholders to include in their newsletters. Local managers will take ownership of ensuring partners and stakeholders are informed appropriately.

5. **Public email and campaigns -** We will direct people to the website, correct factually inaccurate information and encourage people to take part in the consultation.

8.16 **Financial Implications of Consultation**

8.17 The cost of the consultation and communication plan is yet to be finalised, but the Fire Authority is asked to note that previous consultation exercised have been in the region of £30,000 - £40,000. On this basis a total of £38,000 has been included in the budget proposals for 2023/24.

9. CAPITAL PROGRAMME

9.1 The Capital Asset Strategy (CAS) reflects the Authority's identified capital investment requirements for the next five years. During 2023/24 further work will be undertaken to review the sustainability of the Capital Asset Strategy and its required funding.

9.2 The CAS reflects re-profiling of the capital programmes across Engineering and Estates. The main changes in the CAS are in Engineering. An investment in replacement of Breathing Apparatus at £1.0m is profiled across 2026/27 and 2027/28. Following Policy & Resources Panel all Engineering Capital budgets have been reviewed in light of expected delivery times and current pricing, with the correction of some historic pricing anomalies and the reallocation of previously anticipated underspend in 2022/23 to slippage. An inflation provision of 5%, has also been included across the Engineering budgets to reflect current inflationary pressures. The increase in budget since the report to Policy & Resources Panel is £1.057m across the Engineering capital programme, with £0.954m attributable to pricing and inflationary adjustments and a further £0.102m relating to additional slippage from 2022/23.

9.3 As capital reserves are drawn down the Authority must now plan to enter into new borrowing over the life of the Strategy and the Treasury Management Strategy will carefully consider the options available. The Revenue impact of new borrowing is reflected in the MTFP from 2023/24 onwards. The MTFP includes the cost of financing capital expenditure with increases of £5,000 in 2023/24, £29,000 in 2025/26 and £94,000 in 2026/27 and a reduction of £41,000 in 2024/25. Borrowing has been delayed as a result of slippage; however the borrowing requirement has increased as a result of increases to the capital programme to reflect inflationary pressures. Borrowing costs reflect the PWLB long term borrowing rate, which is expected to fall over the five year period. As at 31 March 2023 the Authority's debt will be £9.817m and is forecast to stand at £21.055m by the end of the MTFP. The total revenue costs of borrowing (MRP and interest) will increase by £0.836m to £1.737m over the MTFP.

9.4 In order to move towards a more sustainable approach to funding the capital programme it is proposed that for planning purposes revenue funding for the CAS is increased gradually over the life of the MTFP from £1.0m (2023/24) to £3.0m (2027/28). The principle being that normal replacement and maintenance of existing capital assets can wherever possible be funded from revenue and that additional borrowing is required only to fund new projects, where a business case has been made that considers the cost of borrowing against any savings.

Table 7: Change in Capital Investment 2022/23 to 2027/28

	Total resource £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	*2026/27* *£'000*	*2027/28* *£'000*
2023/24 Strategy							
Fleet	14,273	2,108	3,741	2,530	1,742	1,928	2,224
Property	18,155	2,038	4,680	2,849	4,347	3,151	1,090
IMD	0	0	0	0	0	0	0
Total Cost	**32,428**	**4,146**	**8,421**	**5,379**	**6,089**	**5,079**	**3,314**
2022/23 Strategy							
Fleet	10,992	4,310	2,105	1,763	1,599	1,215	
Property	16,936	4,392	4,232	3,247	2,984	2,081	
IMD	0	0	0	0	0	0	
Total Cost	**27,928**	**8,702**	**6,337**	**5,010**	**4,583**	**3,296**	
Increase / (Decrease) in planned spend							
Fleet	3,281	(2,202)	1,636	767	143	713	2,224
Property	1,219	(2,354)	448	(398)	1,363	1,070	1,090
IMD	0	0	0	0	0	0	*0*
Total Increase / (Decrease)	**4,500**	**(4,556)**	**2,084**	**369**	**1,506**	**1,783**	***3,314***

10. RESERVES & BALANCES

10.1 Reserves are an essential part of good financial management. They help authorities cope with unpredictable financial pressures and plan for their future spending commitments.

10.2 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 National Fire Chiefs Council Finance Co-ordination Committee to promote greater consistency across the sector.

10.3 In order to produce a balanced budget for 2023/24 a total of £0.636m will be funded from reserves. This is a legitimate approach where it assists with smoothing the impact/delivery of planned savings, however this approach cannot form an ongoing part of budget setting as it is not financially sustainable. This is the second year in which the Authority will have used reserves to balance its budget. The Authority must take the necessary action in 2023/24 to ensure that proposed additional savings of £0.721m are delivered by 1 April 2024. This will reduce the requirement, based on current modelling, to use reserves to balance the budget in future years.

Details of the reserve funding to balance the 2023/24 budget is shown in the table below:

	£'000
Carry forward reserve	116
Sprinkler reserve	440
Financial stability reserve	80
Total reserve funding	**636**

10.4 The Authority holds a number of earmarked reserves to support the delivery of a range of strategies and projects. 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, invest to save and efficiency initiatives and stands at £486,000. Further contributions of £200,000 a year from 2024/25 will be made to the Improvement and Efficiency reserve to support further work. The I.T. reserve is topped up annually from the revenue budget (by £592,000 a year from 2023/24) to deliver the IT strategy and a one-off additional payment of £0.250m is planned for 2025/26.

10.5 The Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces, and currently sets its policy for the General Reserve at a minimum of 5% of its net revenue budget. The detailed risk assessment in Annexe A indicates that the overall assessed risk has not changed since last year. The National Fire Framework requires authorities to explain the reasons for holding general balances above 5%. Based on Home Office published analysis of standalone FRA Reserves (as at 31 March 2021) the Authority holds above average levels of General and Earmarked Reserves and Capital Reserves. Capital Reserves are used to support the financing of the Capital Asset Strategy and will be exhausted by the end of 2023/24. The level of General Reserves held also reflects the current uncertainty about Fire Sector funding beyond 2023/24. A summary of the forecast year end reserves and balances position is set out in table 8 below.

10.6 The general reserve is currently 3.84% of the revenue budget during 2023/24. The MTFP includes provision for increasing the reserve by £1.021m over 2023/24, 2024/25 and 2025/26 to return the reserve to the 5% minimum as per the policy.

TABLE 8: Summary of Forecast Reserves

	31/03/2023 £'000	31/03/2024 £'000	31/03/2025 £'000	31/03/2026 £'000	31/03/2027 £'000	31/03/2028 £'000
Capital Programme Reserve	3,906	0	0	0	0	0
Other Earmarked Reserves	6,898	3,718	2,568	1,956	2,065	2,165
Total Earmarked Reserves	**10,804**	**3,718**	**2,568**	**1,956**	**2,065**	**2,165**
General Fund	1,413	1,732	2,334	2,434	2,434	2,434
Capital Receipts	526	0	0	0	0	0
Total Useable Reserves	**12,743**	**5,450**	**4,902**	**4,399**	**4,499**	**4,599**

11. CHIEF FINANCE OFFICER STATEMENT

11.1 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. This report sets out how the Authority plans to use reserves to balance its budget in 2023/24 and whilst this is an appropriate approach in the short term, it is not sustainable over the longer term. It is essential that the Authority focuses on delivering the additional savings proposals that will enable it to balance its revenue budget from 2024/25 onwards without recourse to the use of reserves. In addition the Authority must implement the proposals made in this report to rebuild its reserves and maintain its financial sustainability over the next five years.

11.2 Given the continuing uncertainty around funding after 2023/24, the planned reduction in the Authority's reserves, 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.

12. EQUALITY IMPACT ASSESSMENT

12.1 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.

12.2 All changes to strategy and policy and new projects are subject to individual Equality Impact Assessments. However a high-level EIA of the budget proposals has been carried out and is attached at Appendix I. The majority of efficiencies and savings proposals in the MTFP do not impact directly on frontline services the exception being the IRMP and associated changes to operational policies and procedures which have been subject to a separate EIA.

In relation to the savings proposals detailed in section 7 specific EIAs will be completed prior to implementation.

APPENDIX A

MEDIUM TERM FINANCIAL PLAN 2023/24 – 2027/28

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	**45,881**	**45,358**	**45,831**	**46,804**	**47,689**
Less					
Specific grants	(2,236)	(2,205)	(2,157)	(2,109)	(2,109)
Other income	(236)	(244)	(249)	(253)	(257)
Total income	**(2,472)**	**(2,449)**	**(2,406)**	**(2,362)**	**(2,366)**
Net Service Budget	**43,408**	**42,908**	**43,426**	**44,441**	**45,323**
Capital financing costs less interest receivable	751	1,026	1,337	1,670	1,727
Capital expenditure from the Revenue Account	0	0	0	0	0
Transferred from reserves	(1,062)	(211)	(5)	(5)	(5)
Transferred to reserves	1,961	2,944	3,192	3,592	3,842
Total Net Expenditure	**45,058**	**46,667**	**47,950**	**49,699**	**50,887**
Net Budget brought forward	**41,766**	**45,058**	**46,667**	**47,950**	**49,699**
Unavoidable cost pressures					
Pay inflation	605	647	649	657	670
Price inflation	246	255	259	264	270
Total inflation	**852**	**903**	**908**	**921**	**940**
Changes in Capital Financing	15	225	261	293	57
Budget commitments	4,124	941	21	532	191
Savings approved	(1,295)	(1,095)	92	3	0
Reserve Funding	(404)	636	0	0	0
Total Net Expenditure	**45,058**	**46,667**	**47,950**	**49,699**	**50,887**
Sources of Funding	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Locally Retained Business Rates	2,397	2,529	2,580	2,631	2,684
Business Rate Top Up	5,379	5,670	5,783	5,899	6,017
Business Rates Baseline	**7,776**	**8,199**	**8,363**	**8,530**	**8,701**
Revenue Support Grant	3,662	3,863	3,940	4,019	4,099
Service Grant Allocation	408	301	307	313	319
Settlement Funding Assessment	**11,846**	**12,363**	**12,610**	**12,862**	**13,120**
Section 31 Grant Business Rates adjustment	2,063	2,165	2,208	2,252	2,298
Collection Fund (Deficit) / Surplus	0	(200)	(200)	(200)	(200)
Release of S31 Reserve					
Covid-19 Collection Fund Deficit 75% compensation CT & BR	56	0	0	0	0
Collection Fund (Deficit) / Surplus (Adjusted)	**56**	**(200)**	**(200)**	**(200)**	**(200)**
local council tax support grant					
Council Tax Requirement	**31,093**	**32,339**	**33,313**	**34,315**	**35,347**
Total Resources Available	**45,058**	**46,667**	**47,932**	**49,230**	**50,564**
Additional Savings Required / (surplus)	**(0)**	**0**	**18**	**468**	**323**
Additional Savings Required - Lower Range			222	880	947

APPENDIX B

REVENUE BUDGET OBJECTIVE SUMMARY

	2022/23 Original Estimate £'000	2023/24 Original Estimate £'000
People Services	4,338	4,363
Resources/Treasurer	8,180	9,089
Planning and Improvement	1,248	1,555
Total Deputy Chief Fire Officer	**13,766**	**15,007**
Safer Communities	21,939	23,490
Operational Support	4,566	4,582
Total Assistant Chief Fire Officer	**26,505**	**28,072**
CFO Staff	805	844
Treasury Management	870	755
Non delegated costs	(1,108)	(1,052)
Corporate Contingency	298	533
Transfers from Reserves	(462)	(1,062)
Transfers to Reserves	1,092	1,961
Total Corporate	**1,495**	**1,979**
Total Net Expenditure	**41,766**	**45,058**

REVENUE BUDGET SUBJECTIVE SUMMARY

	2022/23 Original Estimate £'000	2023/24 Original Estimate £'000
Salaries, Allowances and On-costs	30,187	32,888
Training Expenses	971	746
Other Employees Costs	47	43
Employee Costs	**31,205**	**33,677**
Repair, Maintenance and Other Costs	1,406	1,455
Utility Costs	1,322	1,780
Premises Costs	**2,728**	**3,235**
Vehicle Repairs and Running costs	1,058	1,063
Travel Allowances and Expenses	95	84
Transport Costs	**1,153**	**1,147**
Equipment and Supplies	1,433	1,428
Fees and Services	4,148	4,196
Communications and Computing	1,973	1,951
Other Supplies and Services	301	266
Supplies and Services	**7,777**	**7,841**
Sums set aside from revenue	412	395
Interest Payments	474	505
Capital Financing	**886**	**900**
Grants and Contributions	(2,270)	(2,235)
Interest Received	(20)	(150)
Other Income	(323)	(256)
Income	**(2,613)**	**(2,641)**
Transfers from reserves	(462)	(1,062)
Transfers to reserves	1,092	1,961
Total Net Expenditure	**41,766**	**45,058**
Financed By:		
Council Tax	(29,288)	(31,093)
Business Rates	(7,764)	(7,776)
Revenue Support Grant	(3,325)	(3,662)
Service Grant Allocation	(535)	(302)
CSP Minimum Funding Guarantee	0	(106)
S31 Grants	(1,125)	(2,063)
Collection Fund Surplus/Deficit	271	(56)
Total Funding	**(41,766)**	**(45,058)**

APPENDIX C

FEES AND CHARGES

WITH EFFECT FROM 1 APRIL 2023

Fee	**Existing Fees 2022/23 £**	**New Fees 2023/24 £**
The hiring of a major pumping appliance with crew per hour	315	337
The hiring of other pumping vehicles with crew per hour	254	272
The hire of hydraulic platforms or turntable ladders with crew per hour	341	365
Large animal rescue per hour	315	337
Primary Authority Scheme per hour (fees set by Business Advice and Support Partnership)	82	82
Dry Riser (subsequent test at the owner's request):		
First Dry Riser	236	253
Additional Dry Risers	154	165
Interviews: *		
- Insurance co. etc.	154	165
- After two hours	100	107
Copy of Petroleum Licences *	38	41
Copy plans *	43	46
Standby at Venue	315	337
Fire Investigation Report	338	362
Chemical Protection Suit	177	189
Commercial Training Customers Site (per session up to 20 delegates):		
- Fire Marshal / Warden training (4 hours)	620	664
- Fire Extinguisher training (3 hours)	620	664
- Fire Awareness (3 hours)	620	664
Commercial Training One day course (per delegate)	193	207
Commercial Training Fire Safety at work (1 day, per delegate)	185	198
Commercial Training Fire Talk (without practical, 1 to 3 hours)	362	388
Inspection of Plans for Marriage Act 1994 *	130	139
Environmental search fees *	122	131

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

APPENDIX D

MEDIUM TERM CAPITAL STRATEGY 2022/23 - 2027/28

Overview

The Medium Term Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan (IRMP). 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.

The Fire Authority won't invest in capital projects where the primary purpose is for commercial return.

Individual capital projects will be subject to an EIA and will comply with the Authority's Responsible Procurement Policy.

Where decisions have already been taken to change the service (including IRMP), which have capital investment implications, these are reflected in this strategy.

The main areas covered within the strategy are summarised below.

Estates Strategy- Capital Programme

Since the last report the Estates Strategy has been further impacted by the sharp rise in utility costs putting pressure on the revenue budget and impacting the market costs to deliver the Capital Programme.

The December 2022 Estates Strategy Delivery Board agreed to continue with Phase 1 of the Capital Programme, that is to refurbish the Whole Time Stations to meet the Design Guide, deliver similar projects at Barcombe and Seaford as they have been allocated CIL match funding, complete a significant investment in training facilities (live fire and multi-purpose training hubs) and make health and safety improvements at our engineering workshops.

It was further agreed that the scope and programme of subsequent phases, covering all day crewed and the remaining 10 on call stations, will be reviewed later in 2023/24.

We continue to pursue options for further grant funding and collaboration to reduce the capital cost burden of updating the estate.

Estates Strategy– General Schemes

Design development for Seaford and Barcombe will commence during 2023/24 with delivery planned for 2024/25.

Some capital investment is being made at Rye to provide improved welfare facilities to support the gender diversity of the crew.

A review of subsequent Design Guide project phases will be undertaken later in 2023/24.

Estates Strategy – Strategic Schemes

Four years on from the launch of our Estates Strategy in 2018 we shall shortly complete our first Design Guide Project at Hove. The new sleeping accommodation is already in use and feedback has been very positive.

These schemes reflect the improvements necessary to deliver the standards set out in the 2018 Design Guide across our estate. The scope includes necessary reordering of internal spaces to mitigate the risk of contaminants, asset improvements to reduce energy consumption and remedial works identified in the condition surveys.

The programme for delivery of the remaining Whole Time Stations has been re-sequenced to prioritise the needs of delivering the IRMP.

Building on lessons learned from the first project at Hove a revised procurement strategy is being developed to expedite the delivery of the remaining Whole Time Stations during 2023/24, with the delivery of the new Multi-purpose training hubs (MPTH) being undertaken in parallel to achieve cost savings.

The new Access Control installation project has taken longer than expected to get under contract with works expected to start at the end of 2022/23 and conclude in the first half of 2023/24. This will provide enhanced security controls across our estate and extends the provision currently in place at Saxon House.

Enabling works are being scoped up for the replacement of the Live Fire Training facility at STC, the timing of the start of the detail design is under review to ensure the team has sufficient resource to fully commit to the scheme. Delivery will begin once Whole Time station refurbishments and MPTH are complete.

Our Carbon Footprint was established in 2022/23 and works are now underway to establish our Sustainability Strategy with a programme of betterment works to reduce energy consumption and our carbon emissions. This is a service wide initiative with communications to promote behavioural change being led by Estates. Metrics will be published regularly to demonstrate the reductions being made.

Estates Strategy – Shared Investment Schemes

The 2018 Estates Strategy had a programme of property schemes which involved shared investment with partners either through the One Public Estates Programme (East Sussex and Greater Brighton) and the Integrated Transport Function (ITF).

As reported last year, whilst dialogue and a search for opportunities remains ongoing, commitment from partners has not been forthcoming. There remains potential for SECAmb to take space at Eastbourne and Roedean.

Integrated Transport Function (ITF) – South Eastern Hub Workshop

As reported last year the ITF, part of the wider Emergency Services Collaboration Project (ESCP), identified the need for a new workshop site in the South East of the Surrey / Sussex area and a grant fund was ringfenced.

Since the withdrawal from the scheme by various partners ESFRS is now progressing a further alternative which will be reviewed in early 2023.

In order to ensure the existing ESFRS engineering facilities remain compliant and fit for purpose a small capital investment is being made with improvement works being delivered in Q4 of 2022/23.

Integrated Transport Function (ITF) – Replacement Fuel Tanks

The physical works were completed in 2021/22 within the budget, including the grant funding, and the transition to the new software and administrative system is being rolled out across the service.

Preston Circus Fire Station

A main contractor has been appointed through the SCAPE framework to design and build the refurbishment works. With contracts in place for the detailed design and costing stages works are anticipated to start in Q1 2023/24 and conclude in Q2 2024/25.

There has been a prolonged period of design development and refinement to ensure that the scope can still be met against the rising construction costs. The establishment of a project specific Steering Group has ensured that all stakeholders are fully engaged and updated on progress. A further review on sequencing the works means that all works will now take place whilst the station remains operational providing a significant saving on the need to provide an alternative temporary station.

The revised cost forecast is reflected in this budget.

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. As a result of the IRMP it was agreed to remove the Water tenders from 5 day crewed stations including 3 water tenders from Rye, Battle and Lewes. Eastbourne has one additional appliance introduced called a P2, and there are plans to introduce a P2 at Hastings. The three Appliances from Day crewed stations Bexhill, Newhaven & Crowborough would become operational spares for use across the entire county to maintain resilience in ensuring the risk profile of having 18 ORP pumps is met. As a result of the IRMP it was agreed not to proceed with the flexible fleet review and it would remain with the fire appliance single type design.

Also as part of the IRMP it was also agreed to remove the ARP from Eastbourne and replace it in 2022/23 with a dedicated aerial appliance to mirror the same build as the new aerial appliance for Hastings.

The worldwide supply chain disruption and associated inflation continues to impact significantly on the delivery of the Fleet & Equipment Strategy. This is requiring different choices to be made to mitigate the impact of price increases where possible and increases in scheme budgets where it is not e.g. heavy appliance chassis have increased on average by c 9%. We are also experiencing significant increases in delivery times leading to further slippage on the Capital Programme (9-12 months for light fleet and up to 18 months for heavy fleet). To mitigate this we have employed a vehicle build officer to manage these processes ensuring there is adequate capacity to deliver the capital programme.

The Authority has taken on a number of 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. 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. A business case to SLT will be prepared to detail the new policy for capitalising equipment, the pros and cons of adopting this policy and the net financial impact on both capital and revenue budgets (increase in the cost of borrowing, savings on the revenue budget etc.). A new scheme for replacement of our existing Breathing Apparatus and ancillary equipment is included to the value of £1m over 2026/27 and 2027/28. This is being managed as a joint project through the 4F group (East & West Sussex, Surrey and Kent FRS).

Detailed strategies for Estates, and Fleet and Equipment 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. The Authority has been successful in a bid for CIL grant funding from Lewes District Council to cover 50% of the cost of Design Guide works at Barcombe and Seaford Fire Stations.

- **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.

Historic capital receipts from the sale of service houses and 20 Upperton Road along with the sale of the former Newhaven Fire Station in Fort Road will be used to fund the Capital Strategy. As at 31 March 2023 it is estimated that there will unapplied capital receipts of £0.526m (Capital Receipts Reserve), this includes the balance on the sale of Fort Road (£0.397m). 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 2023 it is estimated that there will be a balance of £3.906m in the Capital Programme Reserve (CPR). 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. An additional contribution is planned of £1.0m 2023/24 onwards, increasing over the life of the MTFP to £3.0m.

- **Community Infrastructure Levy (CIL)**

The Service has been successful in its bid for Community Infrastructure Levy (CIL) funding from Lewes District Council. £289,000 has been awarded which will part fund the planned enhancements at Barcombe and Seaford Fire Stations, reducing the need for future borrowing.

- **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 £80,000,000 - £90,000 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 recommence borrowing to fund capital investment. The borrowing needed to finance the Capital Asset Strategy over the next five years is £13.710m and this has been fed into the MTFP and our future borrowing costs.

MEDIUM TERM CAPITAL STRATEGY 2022/23 to 2026/27 – SCHEMES

Capital Programme Expenditure 2022-23 to 2026-27	Total Budget	Total Previous Years	Estimated Spend 2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Remaing Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property									
Shared Investment Schemes									
Integrated Transport Project			35				800		800
Roedean Betterment			25						
Bohemia Road Betterment			95						
Fort Road - RIBA Stages 1-2			45						
Preston Circus	3,287	122	453	1,062	1,650				2,712
Total Shared Investment Schemes	**3,287**	**122**	**653**	**1,062**	**1,650**	**-**	**800**	**-**	**3,512**
Strategic Schemes									
- Replacement Fuel Tanks	492	450	7	35					35
- Partner contribution	(292)	(292)							-
- Replacement fuel tanks net cost	200	158	7	35	-	-	-		35
Design Guide	356	356							-
Hove	491	64	454						-
Roedean	493	45	22	415					415
Eastbourne	600	74	45	468					468
Bohemia Road	535	28	40	456					456
Security	386	67	98	221					221
Sustainability	171	21	40	80	30				110
Eastbourne MPTH	259	7	30	222					222
Training Centre MPTH	308	7	36	265					265
Hove MPTH	278	7	35	236					236
Bohemia Road MPTH	258	8	39	210					210
Live Fire Training	4,000	48	15	20	437	2,500	980		3,937
Total Strategic Schemes	**8,335**	**890**	**861**	**2,628**	**467**	**2,500**	**980**		**6,575**
General Schemes	830	830							-
Phase 1 General Costs	-		36						
Seaford CIL	296	3	7	5	281				286
Seaford CIL partner Contribution	(133)				(133)				(133)
Barcombe CIL	392	4	9	5	374				379
Barcombe CIL Partner Contribution	(156)				(156)				(156)
The Ridge	408				20	388			408
Hailsham	184	19	8		10	147			157
Rye	532	3	45		17	467			484
Battle	163	1				56	106		162
Herstmonceux	279						50	229	279
Bexhill	460						200	260	460
Heathfield	280	9	9		19	243			262
Uckfield	494	7				100	387		487
Lewes	577	6	1			241	330		571
Pevensey	181						30	151	181
Forest Row	197						30	167	197
Mayfield	203						30	173	203
Broad Oak	30							30	30
Burwash	30							30	30
Wadhurst	50							50	50
Seaford HVP Alterations	85	7	87						-
Total General Schemes	**5,382**	**889**	**202**	**10**	**432**	**1,642**	**1,163**	**1,090**	**4,337**
Bay Doors, Floors, IT	1,535		110	712	300	205	208		1,425
Training Towers	279		133	146					146
Temperature Control in Sleeping Pods	201		79	122					122
Total Property	**19,019**	**1,901**	**2,038**	**4,680**	**2,849**	**4,347**	**3,151**	**1,090**	**16,117**
Vehicle Cameras	150		75	75					75
Grant Funds	(118)		(59)	(58)					(58)
Breathing Apparatus	1,000						500	500	1,000
									-
Aerials	2,228	690	218	1,320					1,320
Aerial Rescue Pump	22	22							-
Fire Appliances	8,636	2,564	1,306	921	904	887	932	1,122	4,766
Ancillary Vehicles	2,832	473	110	982	1,037	153		77	2,249
Cars	2,262	501	360	108	286	531	261	215	1,401
Vans	2,358	920	98	323	302	170	235	310	1,340
Equipment	70			70					70
Total Fleet and Equipment	**16,228**	**5,170**	**2,108**	**3,741**	**2,529**	**1,741**	**1,928**	**2,224**	**12,163**
Total Expenditure	**35,247**	**7,071**	**4,146**	**8,421**	**5,378**	**6,088**	**5,079**	**3,314**	**28,280**

MEDIUM TERM CAPITAL STRATEGY 2023/24 to 2027/28 – FUNDING

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fleet and Equipment	3,741	2,529	1,741	1,928	2,224	12,163
Estates	4,680	2,849	4,347	3,151	1,090	16,117
Original Capital Programme	8,421	5,378	6,088	5,079	3,314	28,280
Funded by:						
Capital Receipts Reserve	526	-	-	-		526
Capital Programme Reserve	4,906	1,500	2,000	2,500	3,000	13,906
New Borrowing / Need to Borrow	2,989	3,878	4,088	2,579	314	13,848
Updated Capital Programme	**8,421**	**5,378**	**6,088**	**5,079**	**3,314**	**28,280**

Funding – Use of Reserves						
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	
Capital Receipts Reserve						
Opening Balance	**4,255**	**526**	**0**	**0**	**0**	**0**
Transfers In	417	0	0	0	0	0
Transfers Out	(4,146)	(526)	0	0	0	0
Closing Balance	**526**	**0**	**0**	**0**	**0**	**0**
Capital Programme Reserve						
Opening Balance	**3,080**	**3,906**	**-**	**-**	**-**	**-**
Transfers In	826	1,000	1,500	2,000	2,500	3,000
Transfers Out	-	(4,906)	(1,500)	(2,000)	(2,500)	(3,000)
Closing Balance	**3,906**	**0**	**0**	**0**	**0**	**0**

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 introduced 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 current overall historically high level of reserves held by the Authority 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 follows: 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 5% of its net revenue budget. The detailed risk assessment is attached at Annexe A and indicates that the overall assessed risk has not changed since last year. Given that not all assessed risks are likely to crystallise in a single year it is deemed appropriate to maintain the minimum level of 5%. Capital Reserves are used to support the financing of the Capital Asset Strategy and will be exhausted by the end of 2022/23.

At the start of 2023/24, the General Reserve is forecast to represent 3.84% of the Authority’s net revenue budget which is a 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 will be considered annually as part of the budget setting process.

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, 2023/24, 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 £2.488m. The current policy minimum of 5% equates to £2.253m. At the start of 2023/24 the General Reserve is expected to be £1.413m and it is planned to increase by £1.021m over 2023/24, 2024/25 and 2025/26 to return the balance to £2.434m by 31 March 2026 and meet the policy minimum by this date.

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:

- ***Business Rate Pool***: 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. The Pool has been utilised to support investment in the Authority's protection (business safety) services. The balance on this reserve includes accruals for 2020/21 and 2021/22 as delays in completing the external audits for a number of our billing authorities has delayed the distribution of the cash surpluses for these years.

- ***Business Rates Retention Pilot***: holds the additional income from the East Sussex Pilot and is 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 majority of the financial stability element (£0.480m) was transferred into the Mobilising Strategy Reserve to fund investment in Project 21, with a proportion (£0.027m) being utilised to balance the 2022/23 budget. The economic development element was fully utilised in 2021/22 to finance estates capital spend. The balance of the reserve will be used to balance the Authority's revenue budget in 2023/24.

- ***ESMCP Readiness***: this is grant funding from central government is ring-fenced to fund the IT upgrades to mobilising systems that are required as part of the Emergency Services Mobile Communications Project (ESMCP). The timing of drawdown is dependent on national programme timescales (which have been significantly delayed). Further discussion with the Home Office will be required to determine use of the grant as it was originally intended in part 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 is dependent on regional business cases made to the Home Office.

- ***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. The Authority has identified a number of areas of future focus for the potential delivery of efficiencies. These areas are built into business plans and it is anticipated that they will require additional resources to progress. Provision has been made in the MTFP for contributions of £0.2m to be made into this Reserve in 2024/25, 2025/26 and 2026/27.

- ***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.

- ***IT Strategy***: The Authority has set aside funds to support the delivery of its IT Strategy including the contractual transformation milestones delivered by Telent. A Revenue contribution is made into this reserve each year and as agreed at Fire Authority in September 2020 this will continue and will fund the IT Strategy 2020-25. The MTFP includes a one-off additional payment into this reserve of £0.250m in 2025/26 to fund additional investment in new IT beyond the current Strategy.

- ***Mobilising Strategy Reserve***: to facilitate to delivery of the Authority's mobilising strategy – as agreed at the Fire Authority in January 2020 this reserve holds the one off funding for Project 21 (P21) which includes the delivery of a tri-partite mobilising service with Surrey and West Sussex County Fire Authorities and associated investment in other aspects of our mobilising such as pagers & alerters and MDT replacement (outside of that already planned in the IT Strategy and funded from the IT Strategy Reserve). The reserve is expected to be fully drawn down by the end of 2022/23.

- ***People Strategy***: this Reserve is utilised to hold funds for the implementation of the People Strategy 2020-25. Where projects within the Strategy that are funded from the revenue budget slip or underspend, any unutilised balances will be held in this reserve.

- ***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. The Authority (P&R Panel Nov 2021) agreed in principle that the remaining balance of £0.640m should be re-purposed as a Community Safety Intervention Fund, subject to the budget setting process. The MTFP proposes using £0.200m of the balance to assist in balancing the 2022/23 revenue budget with the remainder being available for the Community Safety Intervention Fund. It is recommended as part of the budget proposals that the balance of this reserve is used to balance the Authority's revenue budget in 2023/24.

- ***BRR – Protection Uplift***: this Reserve holds the balance of grant received from Government for investment in protection services as a result of the Moore Bick and Hackett inquiries. The balance is expected to be spent in 2023/24.

- ***Tax Income Guarantee Scheme (TIG):*** these reserves hold the balance of the grant provided by Government to offset that impact of Covid-19 on business rates and council tax collected in 2020/21. The remaining balance will be utilised in 2023/24.

- ***Pension Administration:*** this is funding set aside from the revenue budget to fund some of the one-off costs of implementing the Remedy to the discrimination case brought against the Firefighter Pension Scheme, including software costs and tax charges and other costs not funded by the Pension Fund Account or Government. It is planned to be used during 2023/24 and 2024/25 to provide additional capacity within the Payroll & Pensions Team to resource the additional workload associated with implementing the Remedy process.

- ***Responding to New Risks***: holds the unspent balance of the Marauding Terrorist Attack grant which will be used for the replacement of specialist equipment and training.

- ***Carry Forwards***: comprises the balance of the revenue budget underspends from previous financial years which it has been agreed to carry forward to fund specific expenditure. The balance of this reserve will be used in 2023/24 to balance the Authority's revenue budget.

- ***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. £1.0m is paid into this reserve from the Authority's revenue budget in 2023/24. The MTFP proposes to increase the payment into the Capital Programme Reserve in stages of £0.5m to £3.0m by 2027/28. This is part of a strategy to achieve greater financial sustainability by revenue funding the replacement and maintenance of existing assets and seeking only to borrow where a new capital asset in proposed.

- ***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 has been sold to Lewes District Council – subject to LDC obtaining planning permission for development. This process has been delayed and it is possible that the sale will not complete in 2022/23. 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 2023 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.

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. Based on aged debtor analysis the Authority does not currently hold a bad debt provision to 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, supply chain disruption.	Medium	1.000	0.500

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. 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
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.	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
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

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	**£m**
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 the UK economy might lead to increased inflation. This may include the impact of new tariffs on the cost of goods purchased from the EU for example vehicle chassis.	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				**2.488**

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

Description	2023/24 Opening Balance 01/04/23 £'000	2023/24 Planned Transfers In £'000	2023/24 Planned Transfers Out £'000	Projected Closing Balance 31/03/24 £'000	Projected Closing Balance 31/03/25 £'000	Projected Closing Balance 31/03/26 £'000	Projected Closing Balance 31/03/27 £'000	Projected Closing Balance 31/03/28 £'000
Earmarked Reserves								
Improvement & Efficiency	486	0	(214)	272	363	472	572	672
Sprinklers	440	0	(440)	0	0	0	0	0
Insurance	249	0	0	249	249	249	249	249
ESMCP ESFRS readiness	1,425	0	0	1,425	712	0	0	0
ESMCP Regional Programme	111	0	0	111	0	0	0	0
BRR – Accreditation & RPL	23	0	(12)	11	0	0	0	0
BRR - Protection Uplift	96	0	(96)	0	0	0	0	0
New Dimensions	32	0	(32)	0	0	0	0	0
Responding to New Risks	33	0	(33)	0	0	0	0	0
IT Strategy	2,097	592	(2,199)	490	250	250	250	250
People Strategy	130	0	(130)	0	0	0	0	0
Business Rates Retention Pilot - financial stability	80	0	(80)	0	0	0	0	0
Business Rate Pool	1,184	0	(200)	984	884	884	884	884
Tax Income Guarantee Scheme (75%) CT & BR	56	0	(56)	0	0	0	0	0

Covid-19	71	0	0	71	71	71	71	71
Carry Forwards	173	0	(173)	0	0	0	0	0
Pensions Administration	210	0	(105)	105	39	39	39	39
Capital Programme Reserve	3,906	1,000	(4,906)	0	0	0	0	0
Total Earmarked Reserves	**10,804**	**1,592**	**(8,678)**	**3,718**	**2,568**	**1,965**	**2,065**	**2,165**
General Fund	1,413	319	0	1,732	2,334	2,434	2,434	2,434
Total Revenue Reserves	**12,217**	**1,911**	**(8,678)**	**5,450**	**4,902**	**4,399**	**4,499**	**4,599**
Capital Receipts Reserve	526	0	(526)	0	0	0	0	0
Total Capital Reserves	**526**	**0**	**(526)**	**0**	**0**	**0**	**0**	**0**
Total Usable Reserves	**12,743**	**1,911**	**(9,204)**	**5,450**	**4,902**	**4,399**	**4,499**	**4,599**

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2022/23
REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

	£	£
NET BUDGET REQUIREMENT		**45,058,000**
Forecast Business Rates retained	2,397,000	
Top Up grant	5,379,000	
Total Base Line funding	7,776,000	
Add Revenue Support Grant	3,662,000	
Add Service Grant Allocation	302,000	
Add CSP Minimum Funding Guarantee	106,000	
Total Grant funding (excluding transitional/freeze grant)	11,846,000	
Section 31 Grant Business Rates adjustment	2,063,000	
Previous Year's Surpluses/(Deficits)	56,000	
Total Council Tax required		**31,093,000**
Tax base	**297,907**	
Basic Council Tax (Band D equivalent)		**104.37**

Basic Council Tax from above calculation		**Council Tax**
Band A	**6/9**	**69.58**
Band B	**7/9**	**81.18**
Band C	**8/9**	**92.77**
Band D	**9/9**	**104.37**
Band E	**11/9**	**127.56**
Band F	**13/9**	**150.76**
Band G	**15/9**	**173.95**
Band H	**18/9**	**208.74**

	Tax Base	**Precept**
Brighton and Hove	**91,986.30**	**9,600,610**
Eastbourne	**35,294.80**	**3,683,718**
Hastings	**26,473.00**	**2,762,987**
Lewes	**37,839.40**	**3,949,298**
Rother	**38,520.80**	**4,020,416**
Wealden	**67,793.20**	**7,075,576**
	297,907.50	**31,092,606**

Council tax increase breakdown by band

Council Tax Option	22/23 £	Increase £	Increase %	23/24 £5
Band A	66.25	3.33	5.0	69.58
Band B	77.29	3.89	5.0	81.18
Band C	88.33	4.44	5.0	92.77
Band D	99.37	5.00	5.0	104.37
Band E	121.45	6.11	5.0	127.56
Band F	143.53	7.23	5.0	150.76
Band G	165.62	8.33	5.0	173.95
Band H	198.74	10.00	5.0	208.74

The support available for council tax payers includes:

- Local Council Tax Reduction Schemes – administered by each billing authority providing support, through a discount on council tax bills, to low income households on a means tested basis. Many of these have increased the maximum discount over the last few years. These schemes are funded by all authorities who receive income from council tax (in effect LCTRS reduces our council taxbase).
- Existing Discounts – e.g. single persons / empty homes
- Council Tax Support Fund – announced by the Government alongside the Provisions LGFS - £100 million of additional funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to the 3.8 million households already receiving council tax support, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in the area. The total allocation across East Sussex and Brighton & Hove is £1.461m.
- Hardship Funds – administered by each of the billing authorities with initial funding from billing authorities / preceptors.
- Additional resourcing into East Sussex Billing Authorities' Revenues & Benefits Teams – jointly funded by precepting authorities provides 2 additional staff to support engagement with council taxpayers e.g. helping to plan their payments.

FUNDED STAFFING ESTABLISHMENT

	FTE @ 1/4/2023	FTE @ 1/4/2024
Principal Officers	3	3
Wholetime Firefighter	337	326
RDS firefighter Units	192	192
Control Room Staff	3	3
Support staff	153.42	153.42

APPENDIX H

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

Standalone FRA	CSP 2022-23	CSP 2023-24	Change %
Avon	47.37	51.00	7.7%
Bedfordshire	32.76	35.05	7.0%
Berkshire	38.26	41.29	7.9%
Buckinghamshire	31.19	33.73	8.1%
Cambridgeshire	32.27	34.89	8.1%
Cheshire	47.18	50.76	7.6%
Cleveland	29.43	31.70	7.7%
Derbyshire	41.36	44.51	7.6%
Devon & Somerset	82.42	88.01	6.8%
Dorset & Wiltshire	60.79	65.43	7.6%
Durham	31.49	33.55	6.5%
East Sussex	41.67	44.39	6.6%
Essex	77.52	83.60	7.8%
Hampshire & Isle of Wight	81.15	87.48	7.8%
Hereford & Worcester	34.49	36.97	7.2%
Humberside	47.89	51.47	7.5%
Kent	77.75	83.58	7.5%
Lancashire	61.95	66.74	7.7%
Leicestershire	39.90	43.13	8.1%
Merseyside	66.85	71.89	7.5%
North Yorkshire	33.67	36.23	7.6%
Northamptonshire	25.90	28.09	8.5%
Nottinghamshire	46.01	49.45	7.5%
Shropshire	24.30	25.92	6.7%
South Yorkshire	55.46	59.82	7.9%
Staffordshire	44.72	48.08	7.5%
Tyne & Wear	53.08	56.97	7.3%
West Midlands	108.77	117.63	8.1%
West Yorkshire	91.25	98.53	8.0%

APPENDIX I

Equality Impact Analysis (EIA) Form

This form should be completed in conjunction with How to Complete an Equality Impact Analysis (14_04b)

Name of Policy, Procedure, Activity or Decision (PPAD):	Fire Authority Service Planning processes for 2023/24 and beyond – Revenue Budget 2023/24 and Capital Strategy 2023/24 to 2027/28	**Date of Analysis:**	24-01-2023
PPAD Owner:	Assistant Director Resources / Treasurer	**EIA Author:**	Assistant Director Resources / Treasurer
Directorate Lead and Department:	**Finance Manager – Resources Directorate**		
Status of PPAD: ('X' as appropriate)	**New** X	**Existing**	

Please list any other policies that are related to or referred to as part of this analysis	All budget decisions including revenue and capital projects requiring business cases or other approvals
Please list the groups of people potentially affected by this proposal. (e.g. applicants, employees, customers, service users, members of the public)	All stakeholders, employees, service users, communities of East Sussex and Brighton & Hove

What are the aims and intended effects of this proposal (PPAD)?
To set a balanced revenue budget for 2023/24, agree the Capital Asset Strategy and Capital Programme for 2023/24 to 2027/28, agree the Reserves and Balances Strategy, agree the Authority's Medium Term Finance Plan for 2023/24 to 2027/28, achieve financial sustainability over the medium term.

Stage 1: Equality Impact Quick Checker

Consider the initial impacts of your PPAD on people below to determine whether a full Equality Impact Analysis is required. Consider impact both as an employer and in service delivery.

Does this PPAD have any impact on the following Protected characteristics?	Will impact	Could impact	Won't impact	Commentary for initial conclusions (identify any positive, neutral, and negative impacts):
Age	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Disability	☐	X	☐	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. Funding is provided to implement the accessibility module of the Service's e-recruitment system and to webcast Fire Authority meetings and these are likely to have a positive impact on this group. Specific EIAs will be conducted as part of the project.
Gender Reassignment	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Marriage and Civil Partnership (employment only)	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Pregnancy and Maternity	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies,

				policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Race	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Religion or Belief	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Sex	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Sexual Orientation	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.
Other Equality related issues (e.g. socioeconomic)	☐	☐	X	All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. No other proposals are assessed as impacting this group at this stage.

If you identified '**Will impact'** or '**Could impact'** for any Protected Characteristic, go to Stage 2 to conduct a full Equality Impact Analysis.
If you identified **'Won't impact'** for all Protected Characteristics, provide your summary rationale for this below and submit this form for record on the 'Equality Impact Analysis' Intranet page:
All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs.

Funding is provided to implement the accessibility module of the Service's e-recruitment system and this is likely to have a positive impact on this group. A specific EIA will be conducted as part of the project.

Funding is provided to webcast Fire Authority meetings and this is likely to have a positive impact.

All savings proposals to balance the budget in 2024/25 will be subject to separate EIAs.

No other proposals are assessed as impacting any of the protected characteristics at this stage.

APPENDIX J

RESPONSES TO BUDGET CONSULTATION WITH PARTNERS, BUSINESSES AND STAFF REPRESENTATIVE BODIES

12 January 2023
Email Received from Jane Brook, Chair, Rye & District Chamber of Commerce

Dear Dawn,

On behalf of our Members we'd just like to comment about how important it is to Rye and our rural communities to retain two appliances / specialist rescue vehicles to protect us and save lives and livelihoods. We are 100% support the appeal to save Rye Fire station. Cuts cost lives!

Thank you for including us in your consultation. Keep up the great work.

Jane Brook
Chair, Rye & District Chamber of Commerce

18 January 2023
Email Received from Jane Hartnell, Managing Director, Hastings Borough Council

Hi Dawn,
Thank you for the budget details.
Our reading this end is that no cuts are proposed for 23/24, with the deficit covered by reserves.

But cuts of 1-2m in 24/25. Amongst the options for these cuts are the proposal that there is no additional vehicle for Hastings (which is a current intention), downgrading one of our stations to daytime only and compensating in part for this by investing a bit more in Bexhill.

We will of course liaise with Rother on their view of these proposals, but would be very helpful if our Lead Councillors can be briefed in detail before the consultation to help them form their view.

We are unique amongst the districts and boroughs in that we do not have elections this year so we can meet at any time from now on.

Are you able to arrange this please? We can do Teams or Face to Face in our building Muriel Matters House. Jenny Ling is our contact for arrangements at this end.

Best wishes
Jane

23 January 2023
Letter Received from Guestling Parish Council

FAO: DAWN WHITTAKER- CHIEF FIRE OFFICER AND CHIEF EXECUTIVE, EAST SUSSEX FIRE AUTHORITY AND DUNCAN SAVAGE – ASSISTANT DIRECTOR RESOURCES

On behalf of Guestling Parish Council

Dear Ms Whittaker/Mr Savage

The Parish Council is writing to you as a matter of urgency to state its deep concern for the safety of its residents regards the proposed downgrading of service and reduction of fire cover from The Ridge Fire Station, Hastings.

As far as the Parish Council is concerned, the proposals to reduce The Ridge Fire station to a day crew only station would mean that areas such as our parish, Guestling and surrounding areas such as Fairlight, Icklesham, Winchelsea and Rye (as well as Hastings Town itself) will receive a much reduced and slower service and lives could very well be lost directly due to this reduction in cover.

The document 230119 PR Budget Setting MTFP Report dated 19/1/2023 by yourself and Duncan Savage suggests:

"Defer the introduction of the additional pump in Hastings and continue to move to a Day crewed duty system at The Ridge fire station from a shift duty system

Defer moving Bexhill to a 1 pump resilience station, maintaining the second appliance as a dedicated appliance, and in doing so provide additional cover in the Hastings area"

This goes directly against the Authority's previous suggestions referred to above of an additional pump in Hastings at Bohemia Road and suggests the Bexhill appliance as the cover for the deferral of a new pump in Hastings along with the reduction in service at The Ridge which, the distance just between the two fire stations themselves is 8 miles with the fastest route being across the link road and junction to the Ridge itself, which constantly experiences major traffic issues, before any further travel to outlying parishes is even taken into consideration.

The suggestion of using the Bexhill appliance as cover for Hastings also fails to take into account that this then leaves the Bexhill area under- resourced. If the Bexhill appliance is a minimum of 8 miles away from Bexhill centre supporting The Ridge in Rother outlying parishes such as Guestling, Icklesham and Pett etc it is not then able to attend in the highly populated Bexhill area, leaving yet another area underresourced and at risk.

The Parish Council would also like to draw attention to the 3 new housing estates to be built along The Ridge in the next few years, along with developments already in Icklesham and Westfield and the new school along The Ridge, the current ongoing extension of Ivyhouse Industrial Estate all increasing the fire risk due to vastly increased population and workforce density in the immediate and surrounding areas of The Ridge station.

The Parish Council would again like to reiterate that it STRONGLY opposes this proposal and refers the Fire Authority to its own Service Charter “Our Promise to You We Make Communities Safer”

Yours faithfully
Bryony Young – Parish Clerk and Responsible Financial Officer, Guestling Parish Council

cc Sally-Anne Hart MP, Huw Merriman MP

APPENDIX K

PROVISIONAL LOCAL GOVERNMENT SETTLEMENT LETTER AND AUTHORITY RESPONSE

Home Office

Rt Hon Chris Philp MP
Minister of State for Crime, Policing and Fire
2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

BY EMAIL ONLY

Chairs of Fire and Rescue Authorities
Chief Fire Officers

9 January 2023

PROVISIONAL LOCAL GOVERNMENT SETTLEMENT

Dear all,

I am writing to you in relation to the recent policy statement and publication of the provisional Local Government Settlement from the Department of Levelling-up, Housing and Communities (DLUHC). The statement confirmed that for 2023/24 the Council Tax Referendum Principle for standalone Fire and Rescue Authorities (FRAs) will be £5. In addition, it confirmed that both Revenue Support Grant and Baseline Funding Levels (via the under indexation grant) will increase by the September 2022 CPI measure of inflation, which is an increase of 10.1%. The provisional settlement numbers do not take account of the £5 precept referendum limit, but we have estimated that core spending power for standalone Fire and Rescue Authorities will increase by an average of 7%. The final Local Government Settlement will include the full calculation of precept income when it is published next year.

I hope that this is welcome news and confirms our commitment to ensure that FRAs are appropriately funded and are being supported with the inflationary pressures that you are all facing, particularly in relation to utilities and fuel costs. However, we are also clear that precept rises should not be in place of sound financial management and we expect FRAs to exhaust all other options to reprioritise budgets, seek efficiencies and to maximise productivity of their existing resources before looking to local taxpayers for additional funding. As such, as you consider your individual service budgets in this Settlement, I am asking all FRAs set out to me in writing how, in principle, you will be reprioritising within your budget, delivering efficiencies, and driving productivity improvements in your local area. I would like you to do this by mid-January alongside any responses to the provisional Local Government Finance Settlement consultation.

As part of the Spending Review 2021/22, the National Fire Chiefs Council (NFCC) and the Local Government Association made a commitment on behalf of the fire sector in England to create 2% of non-pay efficiencies and to increase productivity of the fire sector by 3% by 2024/25. I am optimistic that these targets can be met and welcome the work that my officials and the NFCC have been driving in this space through the Fire Efficiency and Productivity Forum, which was established earlier this year.

In relation to the above targets, I would like to see all Standalone FRAs produce, publish and send me their efficiency and productivity plans for the financial year 2023/24 by March 2023. As you will be aware, producing and publishing of efficiency plans is already enshrined in the Fire and rescue national framework for England, but I would like to ask that in light of the nationally agreed Spending Review commitments, FRAs extend their planning to cover productivity as well. Driving sustainability, productivity and efficiency in fire services will be a key focus for me in the next financial year, alongside wider reforms to improve services. I look forward to engaging with you all in discussions about future opportunities for the sector in the coming years.

I forward to working with you all in the New Year.

Yours sincerely,

Rt Hon Chris Philp MP
Minister of State for Crime, Policing and Fire

Councillor Roy Galley

Chairman of East Sussex Fire Authority
Headquarters
Church Lane
Lewes
East Sussex
BN7 2DZ

Tel: 0303 9991000

Rt Hon Chris Philp MP
Minister of State for Crime, Policing and Fire
Home Office
2 Marsham Street
London SW1P 4DF

26 January 2023

Dear Minister

Provisional Local Government Settlement

Set out below is East Sussex Fire Authority's response to your letter dated 9 January 2023. I welcome the outcome of the Provisional Settlement which leaves us in a better position that we had expected, however as you will see will still have difficult decisions to make to balance our budget whilst maintaining essential fire and rescue services to our local communities.

Precept
The Authority will be recommended to approve an increase in its Band D Council Tax of £5 when it meets on 9 February 2023. This will provide additional funding of £0.608m in 2023/24 over and above a 3% increase.

Pressures
The Authority's budget proposals identify new pressures of £3.063m in 2023/24 of which £1.544m relates to pay and £0.760m excess inflation on non-pay spend. The pay pressure reflects the additional cost of the £1,925 Green Book pay award and the current Grey Book pay offer of 5%, above the 2% which the Authority had budgeted for 2022/23 and provision for a 4% pay award for all staff, again above the 2% in our Medium Term Finance Plan. The excess inflation on non-pay primarily relates to gas, electricity and fuel but also includes building maintenance, catering and other bought in services.

The Authority continues to invest in its key assets with a Capital Programme of £27.4m over 5 years and £9.3m in 2023/24 to ensure that our estate and fleet are fit for purpose, reflect modern firefighting techniques and address key issues such as the management of contaminants and their impact on firefighter health and wellbeing. In recent years this investment has been self-funded using capital receipts and revenue reserves / contributions. However, we forecast that our reserves will reduce as we invest, from a high point of £25.7m in 2019, to £12.9m in 2023, and below £5m by 2025. At the same time, we expect to borrow externally in 2023/24, for the first time since January 2008. External borrowing is forecast to increase from £9.8m to £22.3m by 2027/28, and the revenue cost to increase from £0.915m pa to £1.668m pa over the same period.

The pressures also include the impact of the reduction of the Firelink Grant (£0.192m) and the increase in external audit fees following Public Sector Audit Appointments recent procurement exercise (£0.043m).

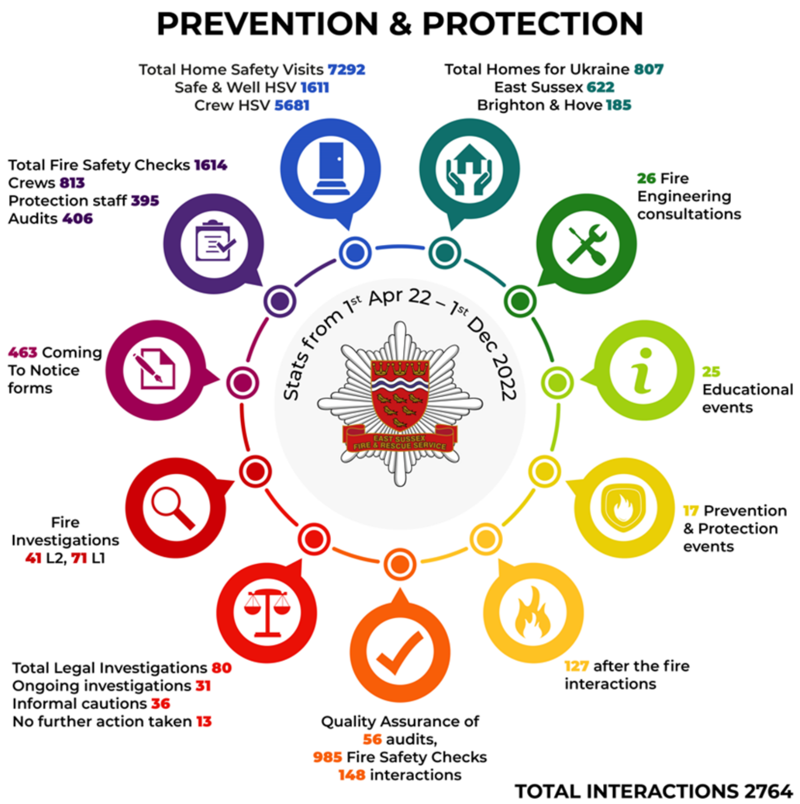
Efficiency & Productivity

The Authority has delivered savings and efficiencies of £10.8m since 2010/11 and will need to deliver further savings of £2.6m over the next 5 years. HMICFRS in their recent inspection report has assessed the Authority as Good in terms of its approach to Efficiency. We have adopted a holistic approach covering both frontline and professional support services and this has included:

- Challenge and scrutiny of non-pay budgets through our Star Chamber process
- Development of shared services / collaboration for finance, legal services, occupational health, mobilizing / fire control, emergency planning, estates, fleet & engineering and fire investigation
- Delivery of procurement savings through extensive use of national, regional and local frameworks and other contractual arrangements
- An increased focus on delivering benefits and efficiencies from our continued investment in IT, estate and fleet
- Seeking opportunities to share our estate with other public sector partners and to collaborate on operational improvement with neighbouring fire and rescue services through the 4F initiative.
- Further indications of improved productivity are a 7.9% reduction in staffing from 2016 to 2021 compared with an England average of 1.6%. At the same time incidents attended in 2021 per 1000 population were 12% rather than an England average of 9.8%

Delivered in 2019 and informing our current IRMP, the Operational Response Review (ORR) was a significant and comprehensive piece of operational risk analysis. The results of the analysis informed our 2020-25 Integrated Risk Management Plan and Prevention and Protection Strategy 2021-26 and directly inform our priorities.

We produce an Impact Report based on our achievements, alongside a more formal performance report highlighting progress against a suite of measures and reported to the public. These show we have made strong progress in key activities, as depicted in the below infographic.



Budget Proposals
Taking the settlement and other funding information into account, alongside our pressures and proposed savings our draft budget proposals, even with the £5 council tax increase, require us to use £0.8m of our reserves to balance the budget in 2023/24. Our Medium Term Finance Plan also indicates a funding gap of £1.014m in 2024/25 and this means that we will be consulting on further savings proposals this summer which include some cuts to frontline services.

I would therefore ask that you consider extending the £5 council tax flexibility into 2024/25 and that, building on the Finance Policy Statement, the announcement of the Provisional Local Government Finance Settlement for 2024/25 is brought forward to the earliest date possible. This will enable us locally to ensure we can continue to sustain our current level of services to our local communities.

Yours sincerely

Roy Galley

Councillor Roy Galley
East Sussex Fire Authority

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EAST SUSSEX FIRE AUTHORITY

Meeting	Fire Authority
Date	9 February 2023
Title of Report	Treasury Management Strategy for 2023/24
By	Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Richard Carcas, Principal Finance Officer (Treasury Management) ESCC

Background Papers

Fire Authority:
10 February 2022 Treasury Management Strategy for 2022/23
9 June 2022 Treasury Management Stewardship Report 2021/22
Policy & Resources Panel:
10 November 2022; Half year review for 2022/23
CIPFA Prudential Code
CIPFA Treasury Management in the Public Services - Code of practice
Local Government Act 2003 Local Government Investments - Guidance from The Department for Levelling Up, Housing and Communities (DLUHC).

Appendices

1. Treasury Management Scheme of Delegation
2. The Prudential & Treasury Indicators
3. Minimum Revenue Provision (MRP) Policy Statement
4. Comment from Link Asset Services on the outlook for 2023/24
5. Counterparty list
6. Investment Benchmarking
7. Glossary

Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT To approve the Treasury Management Strategy, policy statement and the Minimum Revenue Provision (MRP) Statement 2023/24

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. It is impossible in practical terms to eliminate all credit risk. The Fire Authority seeks to be prudent.

The Fire 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. No changes to the Investment Strategy are proposed for 2023/24.

The 2023/24 Strategy counterparty list for specified and non-specified investment is set out in the Appendices 4 and 6 with no updates to note.

The Fire Authority is recommended to approve the 2023/24 investment strategy. 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 31 December 2022 earned £276,000 in investment interest at an average rate of 1.79%. This level of return is broadly consistent with recent available Investment benchmarking (Appendix 6).

The background information and the calculation of the Authorised Limit for borrowing for 2023/24 of £15.0m are set out in the attached Appendix 2 (Table 8).

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

CIPFA published the revised Treasury and Prudential codes in December 2021. Full adoption of the new Codes is incorporated within this Strategy. The main changes to the codes are as follows:

- Adoption of a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement. This is included in Table 4.
- Amendment to the knowledge and skills register for officers and members involved in the Treasury management function. This will be maintained as part of the Treasury Management Team's records and arrangements for member training will be put in place in consultation with the Assistant Director Resources and Democratic Services.
- Quarterly reporting to members of performance against forward looking indicators. As outlined in the revised guidance, this will be built into the Authority's quarterly monitoring process.
- Environmental, Social & Governance (ESG) issues to be addressed within the Authority's Treasury Management Practices (TMP1). This is not a change in the Authority's investment strategy, but how ESG is incorporated into the monitoring of counterparties' credit standing. The Authority's Treasury Management Practices (TMPs) are in the process of being updated for the new financial year to include this requirement. These will be reviewed and implemented by the Treasurer.
- An update to ensure that authorities are more transparent in their service and commercial investments. This includes a requirement that the Authority acknowledges that it will not borrow to invest where the primary purpose is for commercial return. These changes are reflected in the Capital Asset Strategy.

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

The Treasury Management policy statement for 2023/24 is set out in Section 5.

RECOMMENDATION	The Fire Authority is recommended to:

(i) approve the Treasury Management Strategy and policy statement for 2023/24 (and adopt for the remainder of 2022/23);

(ii) determine that for 2023/24 the Authorised Limit for borrowing shall be £15.0m;

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

(iv) approve the Minimum Revenue Provision (MRP) Statement for 2023/24 as set out in the attached Appendix 3; and

(v) approve the Annual Investment strategy for 2023/24 as set out in Section 5.

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 2023-24 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);
- 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 fixed term borrowing rates.

Table 1

Month	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2023	4.25	4.20	4.60	4.30
Jun 2023	4.50	4.20	4.60	4.30
Sep 2023	4.50	4.10	4.50	4.20
Dec 2023	4.50	4.00	4.40	4.10
Mar 2024	4.00	3.90	4.20	3.90
Jun 2024	3.75	3.80	4.10	3.80
Sep 2024	3.50	3.60	4.00	3.70
Dec 2024	3.25	3.50	3.90	3.60
Mar 2025	3.00	3.40	3.70	3.50
Jun 2025	2.75	3.30	3.60	3.30

2.2 The central forecast for interest rates was updated on 19 December and reflected a view that the Monetary Policy Committee (MPC) would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.50%.

2.3 Further down the road, there is anticipation the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are over – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

2.4 The full outlook and economic overview from Link is provided within Appendix 4.

3. TREASURY MANAGEMENT POSITION

3.1 Summary of the Authority's borrowing & investment portfolios as at 31 December 2022 and forecast to the end of the financial year is shown below:

Table 2

	Actual at 31 December 2022			Forecast to 31 March 2023		
	£'000	% of portfolio	Average Rate	£'000	% of portfolio	Average Rate
Investments						
Banks	14,000	81%	3.09%	12,000	75%	4.30%
Money Market Funds	3,300	19%	3.28%	4,000	25%	4.20%
Total Investments	**17,300**	**100%**	**3.13%**	**16,000**	**100%**	**4.28%**
Borrowing						
PWLB loans	10,298	100%	4.60%	9,817	100%	4.59%
Total external Borrowing	**10,298**	**100%**	**4.60%**	**9,817**	**100%**	**4.59%**

3.2 The Authority's projected debt portfolio position at 31 March 2023, with forward estimates is summarised in Table 3 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 3

	2022/23	2023/24	2024/25	2025/26
	Projected	**Estimate**	**Estimate**	**Estimate**
	£000	**£000**	**£000**	**£000**
External Debt				
Debt at 1 April	10,298	9,817	12,362	15,592
Expected change in Debt	(481)	2,545	3,230	3,302
External Debt at 31 March	**9,817**	**12,362**	**15,592**	**18,894**
CFR* at 1 April	10,298	9,887	12,362	15,592
Borrowing Need (Table 6)	0	2,989	3,878	4,088
MRP	(411)	(514)	(648)	(776)
CFR* at 31 March	**9,887**	**12,362**	**15,592**	**18,894**
Under / (Over) borrowing	**70**	**0**	**0**	**0**

**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. CFR in Table 2 is the underlying need to borrow and excludes PFI and lease arrangements, which are included in the CFR figure in the Prudential Indicators in Appendix 2*

3.3 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.

3.4 The CFR forecast at the end of 2023/24 is £12.362m. The Authority is required to repay an element of the CFR each year through a revenue charge called the minimum revenue provision (MRP).

3.5 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.

3.6 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 3 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. Given the expected peak in interest rates over the next 12 months, it may be beneficial for the Authority to take short term borrowing during 2023/24 and 2024/25 before moving to longer term borrowing once rates have dropped. The Assistant

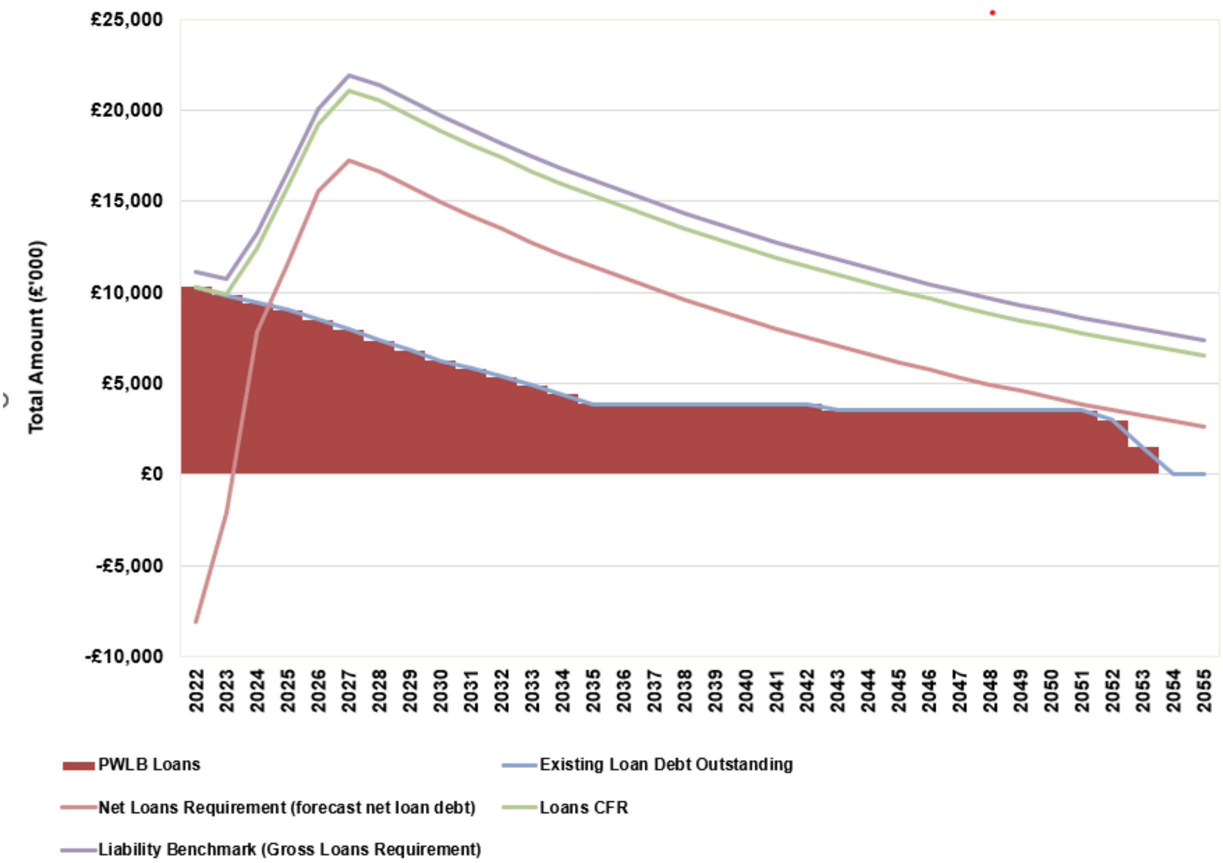
Director Resources/Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Liability Benchmark

4.2 The Liability Benchmark is a new requirement of the 2021 Treasury Management Code. It is a measure of the Authority's borrowing need were it to fully utilise its cash-backed reserves and balances to avoid external borrowing. It assumes a liquidity buffer is maintained to ensure the Authority's obligations are able to be met.

The Authority's liability benchmark is shown below:

Table 4



- **External Debt –** The maturity profile of the current portfolio of external debt is shown by the bars. The debt has a very gradual maturity profile which means that there are no requirements to pay back large amounts of debt in any one year.

- **Loans CFR –** This is the projections of the Authority's underlying borrowing requirement (or CFR) based on the Authority's capital plans, and is shown by the top, grey line. The 2022/23 opening Loans CFR was £10.3m, and it is expected to peak at £20.9m in 2026/27. This only shows the Loans CFR projection based on the current capital programme of the Authority, therefore if ongoing borrowing is required beyond 2026/27 then the CFR would rise further and for longer.

- **Net Loans Requirement –** The expected net treasury position is shown by the bottom pink line. This shows a projection of the loans requirements measured by opening external debt for 2022/23 (£10.3m), less the opening external investments for 2022/23

(£18.4m). The projections are then based on the expected borrowing within the capital programme and the expected movement in reserves and balances, and shows the borrowing requirement if the Authority were to utilise all of its reserves and balances for internal borrowing. This shows that the Authority had more external investments than external debt as at 31/03/22, which is expected to change from 2024/25 as reserves reduce and borrowing is required in the capital programme. The Net Loans Requirement also peaks in 2026/27. This is due to a low level of borrowing expected to be needed to fund the 2027/28 capital programme.

- **Liability Benchmark –** The liability benchmark shows the Net Loan Requirement, but with a buffer of £5m incorporated to ensure the Authority has sufficient cash to meet its cash obligations. This measure shows the level to which the council can internally borrow based on the projection of the capital programme, movement of reserves and allowing for a liquidity buffer. Where the liability benchmark rises above the current debt portfolio, this shows a need for external borrowing, and where the benchmark reduces back below the current portfolio, it shows that the Authority will be over-borrowed based on current plans.

  This graph demonstrates that on current capital expenditure & reserve usage projections, the Authority will need to borrow externally during 2023/24. The external borrowing requirement will peak at £20.4m in 2026/27, before falling.

4.3 Whilst the Liability Benchmark is a good indicator of the Authority's direction of travel in terms of borrowing need, it assumes that capital borrowing stops after the current capital planning period, and ignores future borrowing beyond the planning period. Therefore it should not be used in isolation when making long term decisions, but as part of a range of factors.

Policy on Borrowing in Advance of Need

4.4 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.

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

Revised Prudential & Treasury Codes

4.6 CIPFA published revised prudential and treasury codes on 20th December 2021 and has stated that formal adoption is required from 2023/24 financial year. The Fire Authority has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to the Fire Authority for approval.

4.7 The revised codes will have the following implications:

- a requirement for the Authority to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement (Table 4);
- clarifies what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;

- require implementation of a policy to review commercial property on an annual basis, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 (TMP1) to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

4.8 In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management - Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments

Service delivery - Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return- Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

This requirement is not relevant to the Authority as the Authority does not hold any non-treasury investments.

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

Debt Rescheduling

4.10 Rescheduling of current borrowing in the current debt portfolio is unlikely to be an option during 2023/24. This is due to a difference between the rate used to calculate the premature redemption, and the rates used to take on new borrowing. This difference would create a premium that the authority would have to pay that would make it more expensive to repay or restructure than retain the debt.

4.11 Table 5 below identifies PWLB borrowing that is due to mature up to 2025/26. No borrowing is subject to early repayment options (LOBO Loan).

Table 5	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Maturing Debt	400	402	520
Debt subject to early repayment options	0	0	0
Total debt at risk of maturity	**400**	**402**	**520**

4.12 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).

4.13 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.

4.14 All debt rescheduling will be agreed by the Assistant Director Resources / Treasurer.

Sensitivity of the Forecast and Risk Analysis

4.15 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).

4.16 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.

5. <u>INVESTMENT STRATEGY</u>

5.1 The Authority's investment policy has regard to the DLUHC'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.

Changes to Investment Strategy

5.2 No changes are proposed to the Investment Strategy for 2023/24.

5.3 The Authority where possible is actively seeking to support Environmental, Social and Governance (ESG) investment products and institutions that satisfy all the underlying key principals of Security, Liquidity and Yield in that order.

5.4 The market for green and broader ESG investments is still relatively immature. However, research and the consideration of the suitability of ESG investment products will continue into 2023/24. Fixed term investments of up to £4m have been placed in a Standard Chartered ESG product during 2022/23.

Sovereign Credit Ratings

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

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 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 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 and the criteria for choosing investment counterparties with adequate security, and monitoring their security;
- It has sufficient liquidity in its investments.
- It receives a yield that is aligned with the level of security and liquidity of its investments
- Where possible, support ESG investment products and institutions that meet all of the above requirements.
- The preservation of capital is the Authority's principal and overriding priority

5.13 The Link Asset Services methodology determines the maximum investment duration under the credit rating criteria. Key features of 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 5.8 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.

Specified Investments

5.16 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 5.11 of this strategy.

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

- Table 4 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;

5.18 Criteria for Specified Investments:

Table 6

Counterparty	Country/ Domicile	Instrument	Min. Credit Criteria LAS/Colour band	Max. Amount*	Max. maturity period
Debt Management and Depost Facilities (DMADF)	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
Government Treasury bills	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months

UK Local Authorities	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
Banks – part nationalised	UK	• TDs • Deposits on Notice • Certificates of Deposit (CDs)	Blue	£6m	12 Months
			Orange	£6m	12 Months
			Red	£6m	6 Months
			Green	£6m	100 Days
Banks	UK	• TDs • Deposits on Notice • CDs	Blue	£6m	12 Months
			Orange	£6m	12 Months
			Red	£6m	6 Months
			Green	£6m	100 Days
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ EU domiciled	AAA Rated Money Market Fund Rating	N/A	£6m	Liquidity/ instant access
VNAV MMF's and Ultra Short Dated Bond Funds	UK/Ireland/ EU domiciled	AAA Rated Bond Fund Fund Rating	N/A	£6m	Liquidity

**No more than 25% of the investment portfolio held with one single counterparty where practically possible.*

Non Specified Investments

5.19 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 7	**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 2023/24. 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 Assistant Director Resources / 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

5.20 Investment returns are expected to improve in 2023/24 However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. Bank rate rises at March in the next 3 years are forecast to be.

- March 2023 4.25%

- March 2024 4.00%
- March 2025 3.00%

5.21 The Link Asset Services suggested budgeted investment earnings rates for returns on investments placed for each financial year for the next four years are as follows:

- 2023/24 4.40%
- 2024/25 3.30%
- 2025/26 2.60%
- 2026/27 2.50%

5.22 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.).

5.23 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).

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 The Department for Levelling Up Housing & Communities (DLUHC) 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 DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override during 2022. The aim of this consultation was to collect the views of authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of practice on local authority accounting.

The responses to the consultation have now been considered, and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025. The full government response is due in early 2023.

The Authority does not hold any investments that are catergorised as in-scope of the statutory over-ride and therefore there is no impact on the Authority of these changes.

- **IFRS 16 – Leasing**

  The CIPFA Code of Practice will incorporate the requirement to account for all leases onto the council's balance sheet from 2024/25 onwards.

  Once implemented, this has the following impact to the Treasury Management Strategy:

  - The MRP Policy sets out how MRP will be applied for leases bought onto the balance sheet;
  - The Authority's Capital Financing Requirement authorised limit and operational boundary for 2024/25 onwards has been increased to reflect the estimated effect of this change. These limits can be amended during 2023/24 if required.

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. The next training session is expected to be delivered to members in April 2023.

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 8

Description	**2022/23 Projected**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Expenditure	4,146	8,421	5,378	6,088
Financed by:				
New & existing resources	(4,146)	(5,432)	(1,500)	(2,000)
Borrowing Need*	**-**	**2,989**	**3,878**	**4,088**

*prior to MRP deducted

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 for 2024/25, the CFR will include 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 PFI Schemes, and work is being undertaken during 2023/24 to identify where the Authority holds finance leases. Tables 7, 8 and 9 include an estimate for finance leases that will be bought onto the balance sheet during the year.

Table 9

	2022/23 Projected	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement				
	£'000	**£'000**	**£'000**	**£'000**
Opening CFR	10,298	9,887	12,362	15,592
Borrowing Need (table 8 as above)	-	2,989	3,878	4,088
MRP	(411)	(514)	(648)	(786)
Closing CFR	**9,887**	**12,362**	**15,592**	**18,894**

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 10

Description	2022/23 Projected	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	10,900	13,600	17,400	21,000
PFI/Leases	-	-	2,000	2,000
Total	**10,900**	**13,600**	**19,400**	**23,000**

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 11

Authorised Limit		2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
		£'000	**£'000**	**£'000**
Borrowing		15,000	19,400	23,300
PFI/Leases		-	2,000	2,000
Total		**15,000**	**21,400**	**25,300**

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 12

Maturity structure of fixed interest rate borrowing 2023/24 All Fire Authority borrowing is at a Fixed Rate			
	Lower	**Upper**	**Actual**
Under 12 months	0%	25%	4%
12 months to 2 years	0%	40%	4%
2 years to 5 years	0%	60%	11%
5 years to 10 years	0%	80%	26%
10 years to 20 years	0%	80%	15%
20 years to 30 years	0%	80%	9%
30 years to 40 years	0%	80%	31%
40 years to 50 years	0%	80%	0%

Table 13

Principle sums invested for periods longer than 365 days			
	2023/24 **£m**	**2024/25** **£m**	**2025/26** **£m**
Limit	1.00	1.00	0.50

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) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 14

Description	2022/23 Projected	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	%	%	%	%
Ratio	2.00	2.02	2.42	2.89%

3. Treasury Management Budget

Table 15

Description	2022/23	2023/24	2024/25	2025/26
	£'000	**£'000**	**£'000**	**£'000**
Interest Payable	474	505	627	753
Interest Receipts	(20)	(150)	(100)	(50)
Minimum Revenue Provision	412	395	499	634
TOTAL	**866**	**750**	**1,076**	**1,377**

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 DLUHC 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 2023/24 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).

- For all leases coming onto the balance sheet, Asset Life Method (annuity method) – will be used. The MRP will be calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. Any related MRP will be equivalent to the "capital repayment element" of the annual charge payable.

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.

1.11 The government are currently consulting Local Authorities on proposed changes to the MRP guidance. Whilst the changes are not expected to impact on the Fire Authority, officers will be reviewing the Authority's MRP policy during 2023/24 in light of these changes and the increase in the Authority's borrowing need to ensure the MRP policy remains appropriate.

APPENDIX 4

Economic Overview

Provided Link Assets Services (Treasury Advisors) December 2022

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

	UK	**Eurozone**	**US**
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

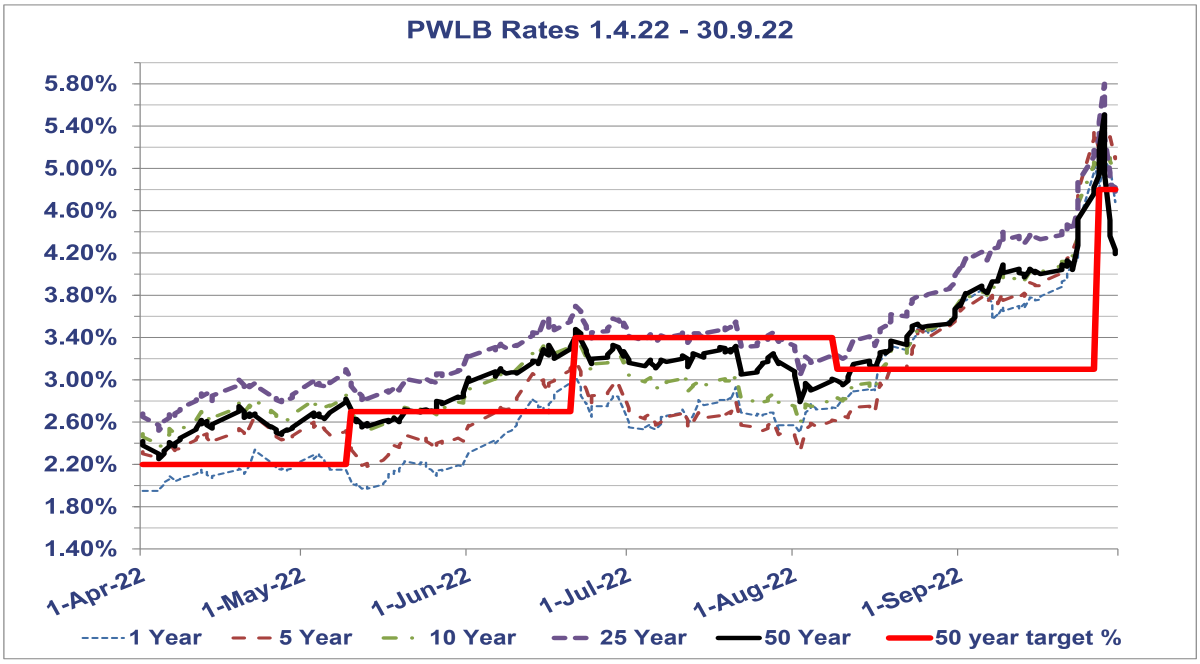
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

Prospect for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8 November 22. These are forecasts for certainty rates, gilt yields plus 80 bps

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy, and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks,** for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea, and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- 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 and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	3.95%

2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

APPENDIX 5

Bank with duration colour	Country	Fitch Ratings				Moody's Ratings		S & P Ratings		CDS Price	ESFA Duration	Link Duration Limit	Money Limit
Specified Investments:		L Term	S Term	Viab.	Supp.	L Term	S Term	L Term	S Term		(Months)	(Months)	(£m)
Lloyds Banking Group:													
Lloyds Bank	UK	A+	F1	a	WD	A1	P-1	A+	A-1	74.27	6	6	6
Bank of Scotland	UK	A+	F1	a	WD	A1	P-1	A+	A-1	54.13	6	6	
RBS/NatWest Group:													
NatWest Bank	UK	A+	F1	a	WD	A1	P-1	A	A-1	-	12	12	6
Royal Bank of Scotland	UK	A+	F1	a	WD	A1	P-1	A	A-1	-	12	12	
HSBC Bank	UK	AA-	F1+	a	WD	A1	P-1	A+	A-1	61.20	12	12	6
Barclays Bank	UK	A+	F1	a	WD	A1	P-1	A	A-1	105.96	6	6	6
Santander (UK)	UK	A+	F1	a	WD	A1	P-1	A	A-1	-	6	6	6
Goldman Sachs IB	UK	A+	F1	-	WD	A1	P-1	A+	A-1	98.68	6	6	6
Standard Chartered Bank	UK	A+	F1	a	WD	A1	P-1	A+	A-1	59.98	6	6	6
Handelsbanken (UK) PLC	UK	AA	F1+	-	1	-	-	A+	A-1+	-	12	12	6

Yellow	*Purple*	*Blue*	*Orange*	*Red*	*Green*	*No Colour*
Up to 5yrs	*Up to 2yrs*	*Up to 1yr (semi nationalised UK banks)*	*Up to 1yr*	*Up to 6 months*	*Up to 100 days*	*Not to be used*

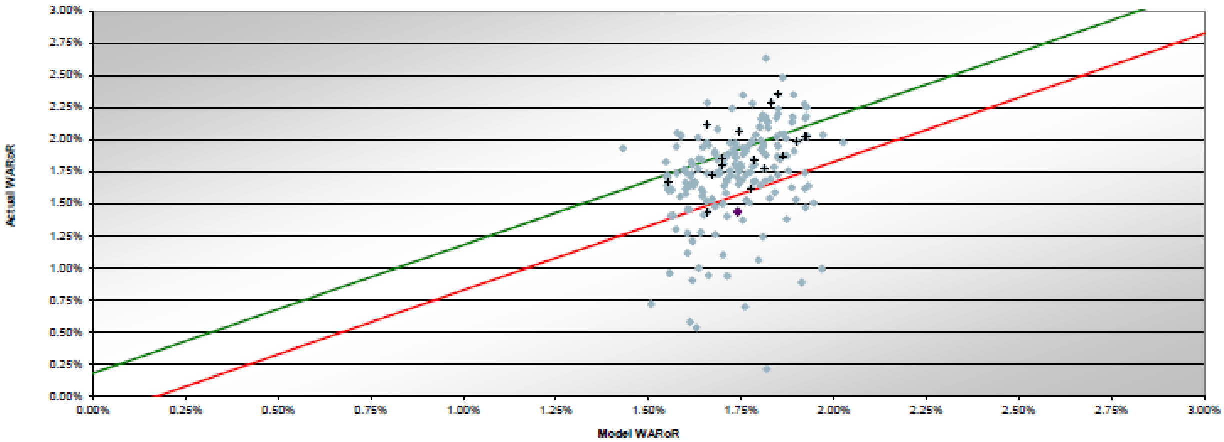
Non Specified Investments:	Minimum credit criteria	Period
Local Authorities	Government Backed	2 years
Mixed Asset Fund(s)	N/A	2 - 5 years
Short Dated Bond Fund(s)	N/A	2 - 5 years
Pooled Property Fund(s)	N/A	5+ years

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 2022.



1.3 The cluster graph above shows that the rate of return grouping for Local Authorities is within a range of 1.59 - 1.95% which is broadly consistent with returns achieved by this Authority (1.88% as at September). As at December 2022, £276k was earned in investment interest at an average rate of 1.79% for the year to date.

1.4 Fire Authority Investment returns 2022/23 to date:

2022/23	Average Balance (£m)	Interest Earned (£k)	Return (%)	Base Rate* (%)	+/- (%)
April	19.7	12.2	0.75	0.75	+0.00
May	17.9	13.8	0.91	0.98	-0.08
June	17.0	15.2	1.09	1.13	-0.04
July	18.6	18.6	1.18	1.25	-0.07
August	25.0	36.2	1.70	1.70	+0.00
September	23.7	36.7	1.88	1.90	-0.02
October	22.7	45.7	2.37	2.25	+0.12
November	20.5	48.7	2.88	3.00	-0.12
December	18.7	48.5	3.06	3.27	-0.21

*Average Base Rate in Month

1.5 Returns are typically below base rate where interest rates are rising as a result of the time lag between changes in base rate and investments maturing and being able to re-invest at more favourable rates.

APPENDIX 7

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	9 February 2023
Title	Pay Policy Statement for 2023/24
By	Julie King, Assistant Director – People Services
Lead Officer	John Olliver, Payroll, Pensions & HR Assurance 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 seek approval of the Fire Authority's Pay Policy statement for the period 1 April 2023 to 31 March 2024, in line with the requirements of the Localism Act 2011
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 2023. This paper does not propose any changes to the Authority's existing policies on pay or its pay scales. It reflects the previous Pay Policy updated to reflect the outcomes of national pay settlements, the decisions of the Principal Officer Appointment Panel (in relation to Principal Officer's pay) and changes to the Firefighters and Local Government Pension Schemes,
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 was implemented in 2019 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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Pay Policy Statement 2023/24 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 2022 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 their 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 2022 the Authority employed 764 people (649 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, and technical staff working in specialist areas) or those support staff who provide corporate functions such as finance, information technology, governance, community safety 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 2022:

Staff Group	Definition	Number of Staff in Group
Operational Staff	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 Fire Safety Operational Planning and Policy and Training Centre instructors.	345
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.	128
Corporate Support Staff	Support staff who provide corporate functions such as finance, information technology, governance, community safety and human resources.	172.5
Principal Officers/ Statutory Officers	Principal Officers comprise the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer and Treasurer.	3.5

Pay Policy

The overarching framework for pay and conditions of service for staff employed by the Authority is governed by three National Joint Councils (NJC). 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 Corporate Support); and the Gold Book (applies to the Principal Officers).

The Fire Authority has a specific policy which means an element of the pay of principal officers is performance related.

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 believes that its pay and benefits policy and practices are being applied consistently, ensuring equal pay for work of equal value for men or women.

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.

The service has a pay protection policy method that should be used to protect pay for any variations to employment contracts.

Due to some hard to fill vacancies, particularly in the area of our professional services, the service has implemented market supplements for some of these roles.

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 operational 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. Movement 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, and then be successful through an appropriate selection process 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.

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 Corporate support staff working to Green Book terms and conditions were awarded a monetary value pay award for 2022, effective from 1 April. On this basis every full time support staff employee received an additional £1925.00 per annum. Those uniformed operational staff who work to the Grey book terms and conditions' annual pay award is currently still pending agreement.

Pay for Principal Officers is still currently pending agreement.

How are Grades and Roles Determined?

When a post within the corporate support area 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 two live occupational pension schemes.

For firefighters, they are auto-enrolled onto the Firefighters' Pension Scheme 2015. The employee contribution rates effective from 1 April 2015, determined by statute, currently range from 11% to 14.5%, depending on salary level. Employer contribution rate is 28.8% of core pensionable pay from 1 April 2020.

There are two other schemes for firefighters: the Firefighters' Pension Scheme 1992 (FPS) and the New Firefighters' Pension Scheme 2006 (NFPS) both of which were closed from April 2022.

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 2022 no discretions have been awarded under the schemes.

Corporate support 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 19.45% for the year 2023/2024.

The 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 2022, no discretions have been awarded under the new scheme.

Both live pension schemes are 'Career Average Revalued Earnings' (CARE) Schemes

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	£153,680	Car provided
Deputy Chief Fire Officer	£121,922	Car provided
Assistant Chief Fire Officer	£113,416	Car provided
Assistant Director – Resources / Treasurer	£83,589	Eligible for lease car provision (not taken)
Assistant Director – Planning & Improvement	£67,181	Eligible for lease car provision (not taken)
Assistant Director – Operational Support & Resilience	£61,667	Response car provided plus 20% flexible duty system allowance
Assistant Director – Safer Communities	£61,667	Response car provided plus 20% flexible duty system allowance & CPD payment.
Assistant Director – People Services	£61,667	Response car provided plus 20% flexible duty system allowance & CPD payment
Group Manager (Competent) (6 of)	£53,086	Plus 20% Flexible Duty System.
ITG Manager	£55,571	An additional allowance of £5,705pa is provided under the market supplement policy
Strategic Community Safety Manager	£55,571	
Strategic Health, Safety & Wellbeing Manager	£55,571	

Procurement Manager	£55,571	
Planning & Intelligence Manager	£55,571	
Payroll, Pensions & HR Assurance Manager	£55,571	
Human Resources/Organisational Development Manager	£54,009	
Occupational Health Clinical Lead	£54,009	The funding of this role is shared with Sussex & Surrey Police as part of the occupational health collaboration
Communications & Marketing Manager	£51,019	
Finance Manager	£51,019	An additional allowance of £6,000pa is provided under the market supplement policy

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 have 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, unbalance 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 other employees. The information illustrates that the Chief Fire Officer's pay is 4.77 times more than the basic pay of a competent Firefighter role (£32,244pa) as at 31 December 2022. This differential is £121,436.

	December 2018	December 2019	December 2020	December 2021
Chief Fire Officer	£142,864	£147,074	£150,015	£153,680
Mean Salary	£30,533	£31,144	£31,767	£32,244
Ratio	4.68	4.72	4.72	4.77

The approach to the payment of chief officers on their ceasing to hold office under or being employed by the authority will not vary from the approach of any other employee.

All Principal Officers follow a twin track approach to their salary progression.

In accordance with the Gold Book, the first part of this is the cost of living increment, as determined nationally.

Part two of the progression is performance related and moves along the current five point pay scale as below.

Rank	SCP1	SCP2	SCP3	SCP4	SCP5
Chief Fire Officer	150,581	152,266	153,680	155,094	156,508
Deputy Chief Fire Officer	121,922	123,065	124,208	125,351	126,494
Assistant Chief Fire Officer	113,416	114,479	115,543	116,606	117,669

The Authority's Definition of 'Lowest Paid' Employees

The Authority regards its lowest paid employees to be those corporate support staff employed on Green Book terms and conditions of employment.

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 Services' Organisational Change policy was updated and re-issued in 2022. It addresses rehire of employees who have previously been made redundant.

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

Fire and Rescue Services are required by the Equalities Office to submit annually for gender pay gap reporting. The measures are taken from a snapshot date, which for the public sector is the 31 March each year. Our submission deadline for the 2022 data is 31 March 2023.

At the February SLT meeting this report will be presented by People Services. The meeting will be asked to approve the publication of the gender pay gap report for 2022 on the ESFRS website.

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Fire Authority
Date	9 February 2023
Title of Report	Integrated Transport Function – Fort Road site, Newhaven
By	Hannah Scott-Youldon, Assistant Director – Operational Support & Resilience
Lead Officer	Hannah Scott-Youldon, Assistant Director – Operational Support & Resilience.
Background Papers	FA Paper – Urgency Panel – December 2022
Appendices	None

Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT To provide an updated timeline for the Full Business Case for Fort Road, Newhaven to return to the Fire Authority and seek delegated authority to cease the sale of Fort Road Newhaven.

RECOMMENDATION The Fire Authority is asked to:

1. agree to the timeline of the full business case for the redevelopment of the Fort Road site, Newhaven, as articulated in para 2.5;

2. note that no changes will be made to the Capital Programme until the business case, including the revenue and capital budget impacts is approved by the Fire Authority; and

3. approve the delegation of the decision to cease the sale of Fort Road, Newhaven to the Chief Fire Officer in consultation with the Monitoring Officer and Treasurer.

1. INTRODUCTION & BACKGROUND

1.1 In December 2022, a Fire Authority Urgency Panel was held to seek a pause in the sale of the ESFRS owned Fort Road site in Newhaven to Lewes District Council in order to build a business case to develop the South East Engineering Spoke of the broader Integrated Transport Function, involving East Sussex Fire & Rescue Service, West Sussex Fire & Rescue Service, Surrey Fire and Rescue Service, Surrey Police and Sussex Police.

1.2 The Urgency Panel approved this recommendation.

1.3 This paper provides an update in relation to the development of the Full Business case and the timelines that have now been worked through.

2. TIMELINES

2.1 Whilst the Outline Business Case identified the development of the initial project brief and sought professional advice / input in relation to the feasibility of using Fort Road as an ITF Engineering Spoke enabling an indicative costing, it was accepted that the Full Business Case would need greater granularity to inform affordability, potential savings and opportunities.

2.2 In order to ensure this clarity the Estates team, applying the Royal Institute of British Architects (RIBA) Plan of Work, will move into RIBA stage 2, where the more detailed design process begins. RIBA 2 builds upon the previously gathered information meaning design concepts will be mapped to the project brief as well as the budget requirements in more detail thus providing the more detailed costings that are required.

2.3 In order to move through RIBA Stage 2 and to gather the detailed information the appropriate consultants have now been engaged.

2.4 To ensure the level of costings can provide a significant degree of certainty the timeline for the Full Business Case needs to be pushed back to enable the reports and advice to come back from the consultants.

2.5 It is now anticipated that the Full Business Case will go to February Senior Leadership Team (SLT) and then to the Policy & Resources Panel in April to seek approval to adjust the capital programme.

2.6 With this slippage in mind, this paper seeks approval from the Fire Authority to delegate authority to the Chief Fire Officer, in consultation with the Monitoring Officer and the Treasurer, to formally stop the sale of the Fort Road site, Newhaven and to formally notify Lewes District Council in advance of the full business case being reported to Panel in April.

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