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Policy & Resources Panel
9 November 2023

Membership:

Councillors: Evans (Chair), Galley, Goddard, Maples, Redstone and Ungar

You are requested to attend this meeting to be held in the County Hall, East Sussex County Council, St Anne's Crescent, Lewes BN7 1UE at 11.30 am

Quorum: 3

Contact:	Rebecca Smith, Democratic Services Officer 07866 100895 democraticservices@esfrs.org

Agenda

40. 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.

41. Apologies for Absence/Substitutions

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

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

43. Minutes of the last Policy & Resources meeting held on 20 July 2023 5 - 8

44. Callover

The Chair 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 Chair will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.

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

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POLICY & RESOURCES PANEL

Minutes of the meeting of the POLICY & RESOURCES PANEL held at County Hall, East Sussex County Council, St Anne's Crescent, Lewes BN7 1UE at 11.30 am on Thursday, 20 July 2023.

Present: Councillors Evans (Chair), Azad, Galley, Geary, Goddard, Lambert and Maples

Also present: D Norris (Deputy Chief Fire Officer), M Matthews (Assistant Chief Fire Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), H Scott-Youldon (Assistant Director Operational Support & Resilience), M Lloyd (Assistant Director Safer Communities), J King (Assistant Director People Services), A Blanshard (Democratic Services Manager), R Smith (Democratic Services Officer)

73 Declarations of Interest

There were none.

74 Apologies for Absence/Substitutions

Apologies were received from Councillor Redstone and Councillor Ungar. Councillor Geary had been appointed to attend as a substitute for Councillor Redstone, and Councillor Lambert attended as a substitute for Councillor Ungar.
Councillor Azad had been appointed to attend as a substitute for the vacant position on the Panel for this meeting.

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

The Chair invited the Assistant Chief Fire Officer (ACFO) to provide an update on the recent fire that had occurred at the Royal Albion Hotel in Brighton.

The Panel were informed that the fire occurred in challenging weather conditions, and that following a major incident being declared neighbouring Services attended to assist. The ACFO advised Members that all persons had been accounted for, and the site had been handed over to Brighton & Hove City Council (BHCC).

Panel Members thanked the ACFO for the update and requested that their thanks be passed to those involved.

76 Minutes of the last Policy & Resources meeting held on 27 April 2023

RESOLVED: That the minutes of the meeting of the Policy & Resources Panel held on 27 April 2023 be approved, subject to the following addition to the end of the final paragraph of Minute 72, which was proposed by Councillor Maples and seconded by Councillor Lambert: “Group Leaders especially valued their meeting where the proposals were considered.”

77 Callover

Members reserved the following items for debate:

38. Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27 Monitoring – Provisional Outturn

39. Revenue and Capital Budget 2023/24 and Capital Programme 2023/24 to 2027/28 Monitoring at Month 2 (end May)

78 Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27 Monitoring - Provisional Outturn

The Assistant Director Resources/Treasurer (ADR/T) introduced a report highlighting the Provisional Outturn on the Revenue Budget 2022/23 and 5 year Capital Programme 2022/23 to 2026/27, approved by the Authority in February 2022.

The Panel were informed that the provisional outturn was a net revenue overspend of £357,000, which was a reduction of £70,000 from the position which had been identified in the last report presented to Members. The provisional outturn was reported as being due to wholetime overtime, and on-call costs within Safer Communities, utilities and fuel due to inflationary pressures, and unachievable savings within Prevention.

Members noted that the overspend was less than previously identified, however, raised concern that there continued to be a pressure from on-call costs and training. The Assistant Director Safer Communities (ADSC) advised the Panel that SLT were looking at training delivery, including incorporating modular training and investigating alternative delivery methods for carrying out refresher training.

The Panel asked whether there were any further updates regarding the Fort Road site in Newhaven. The Assistant Director Operational Support & Resilience (ADOSR) advised Members that a project team had now been established and a report was due to be presented to the Fire Authority later in the year. The ADOSR also informed the Panel that the application process for planning permission would begin at the end of the month, and that security would be bolstered at the site in time for the school summer holidays.

Members expressed concern with regards to stay-put protocols in high rise buildings, particularly given the older demographic in the area. The Assistant Chief Fire Officer (ACFO) advised that there was a requirement to undertake inspections of all high-rise buildings, and that grant funding had been received to assist with the costs involved in carrying these out. Members were informed that the recommendations that arose following the Grenfell Inquiry included the need for adequate training for staff to enable them to identify when the stay-put policy is not appropriate and evacuation should be carried out. The Deputy Chief Fire Officer (DCFO) explained that the decision to implement a stay-put policy was made by a particular buildings responsible person and not the Fire Service, whereas the decision to evacuate would be made by the incident commander.

RESOLVED – That the Policy and Resources Panel noted:

(i) the provisional 2022/23 Revenue Budget outturn;

(ii) the provisional Capital Programme outturn including the slippage amount and spend incurred in advance;

(iii) the net drawdown from reserves during the year;

(iv) the savings delivered in 2022/23; and

(v) cash balances invested at year end and borrowing repaid.

79 Revenue and Capital Budget 2023/24 and Capital Programme 2023/24 to 2027/28 Monitoring at Month 2 (end May)

The Panel considered a report from the Assistant Director Resources/Treasurer (ADR/T) which presented the findings of the Month 2 monitoring undertaken on the Revenue and Capital Budget 2023/24 and Capital Programme 2023/24 to 2027/28.

The ADR/T provided a brief introduction to the report, emphasising that whilst it was at an early stage in the year the financial situation remained challenging. It was highlighted that a key pressure existed within Safer Communities and that this continued to be monitored. Attention was also drawn to pressures which had been created by a reduction in the Firelink grant, as well as pay awards and utility costs which would continue to be monitored. The Panel were also informed that the continued worldwide supply chain issues were impacting on the Estates Capital Programme, with similar issues experienced within Fleet.

A discussion followed regarding the interest rates reported against cash balances invested in NatWest account, and whether there was a possibility of sourcing an alternative energy supplier such as one which provided a discount for investing in solar farms. The ADR/T explained that the interest rate reported for the NatWest product was due to the time that it was taken out. Members were also advised that energy was sourced through a contract with Crown Commercial Services.

RESOLVED – That the Policy and Resources Panel noted:

(i) the risks to the Revenue budget and the projected overspend;

(ii) the risks to the Capital Programme and the projected in year underspend;

(iii) the increased net forecast drawdown from reserves;

(iv) the grants available and spending plans;

(v) the monitoring of savings taken in 2023/24; and

(vi) the current year investments and borrowing.

The meeting concluded at 12.46 pm

Signed

Chair

Dated this day of 2023

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy & Resources Panel
Date	9 November 2023
Title of Report	Revenue and Capital Budget 2023/24 and Capital Programme 2023/24 to 2027/28 Monitoring at Month 6 (end September).
By	Duncan Savage – Assistant Director Resources/Treasurer
Lead Officer	Alison Avery – Finance Manager
Background Papers	Fire Authority Service Planning processes for 2023/24 and beyond – Revenue Budget 2023/24 and Capital Asset Strategy 2023/24 to 2027/28 Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27 – Provisional Outturn
Appendices	Appendix 1: Revenue Budget 2023/24 Objective Appendix 2: Savings Programme 2023/24 Appendix 3: Grants and Spending Plans 2023/24 Appendix 4: Capital Programme 2023/24 to 2027/28 Appendix 5: Estates & Engineering Capital Budgets 2023/24 Appendix 6: Reserves 2023/24 Appendix 7: ITG Strategy 2023/24

Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT

To report on the findings of the Month 6 monitoring undertaken on the Revenue and Capital Budget 2023/24 and Capital Programme 2023/24 to 2027/28.

EXECUTIVE SUMMARY

This is the third report to Members for the 2023/24 financial year and highlights the findings from the Month 6 monitoring undertaken on the Revenue Budget 2023/24 and 5 year

Capital Programme 2023/24 to 2027/28, approved by the Authority in February 2023.

A net revenue underspend to the sum of £7,000 has been identified, as summarised in Appendix 1. This is due to the following underspends:

- Treasury Management (£573,000)
- Corporate contingency (£298,000)
- IT project delays (£178,000)
- Additional funding (£159,000)
- Engineering underspends (£126,000)
- Protection vacancies (£116,000)
- CRM & Airbus licences (£88,000)
- Communications vacancies (£64,000)

These are offset by the following pressures:

- Wholetime overtime within Groups (£539,000)
- Wholetime pay within Groups (£473,000)
- Green book pay award (£150,000)
- CRM unachieved savings (£104,000)
- Control Room (£101,000)
- Payroll posts due to budget error (£98,000)
- Firelink contract uplift (£79,000)
- Unfunded pensions (£73,000)
- Procurement unachieved savings (£66,000)

There are a number of other small variances which contribute to the overspend.

Safer Communities is forecasting an overspend of £896,000. This has reduced since the last report as SLT has agreed to use of contingency to cover the impact of the pay award on the on call and overtime budgets. The Service must maintain a significant focus on delivering the plan to reduce this pressure to ensure it does not impact the 2024/25 revenue budget.

Work continues with budget managers to review the forecast position, including for staffing and overtime.

Performance against the Savings Programme is summarised in Appendix 2 and detailed in section 5.

Performance against grants and spending plans is summarised in Appendix 3 and detailed in section 6.

Revenue and Capital programme risks are detailed in section 3, focusing specifically on areas that are subject to further investigation and the outcome could result in significant additional pressures in the current and future financial years.

The original 2023/24 Capital Budget and five year Capital Strategy of £28,280,000 was approved by the Fire Authority on 9 February 2023. The Capital Strategy has been increased to £28,793,000 to include slippage of £975,000 and allocation of spend in advance of £462,000 from 2022/23.

The current year Capital Budget was approved by the Fire Authority at £8,421,000 and updated to £8,934,000 (Property £5,665,000 and Fleet and Equipment £3,279,000) including slippage of £975,000 brought forward from 2022/23, allocation of spend in advance of £462,000 from 2022/23.

Officers have reviewed the capital plans for 2023/24 and report slippage on delivery of projects to the value of £4,461,000 (49.9%) and spend in advance of £133,000. In addition underspend of £78,000 is expected against capital schemes. Detailed information is contained within section 8. The Estates and Engineering Capital Projects 2023/24 are detailed in Appendix 4.

The position on reserves shows an opening balance of £14,460,00. The forecast net drawdown from reserves is £6,277,000, a reduction of £1,016,000 compared to the planned drawdown of £7,293,000. This results in an estimated closing balance of £8,183,000, as detailed in section 10 and summarised in Appendix 6. This would reduce further, if reserves are used to cover the inflation related risks described elsewhere in this report. Work is ongoing to review likely drawdown of reserves (including grants brought forward) for the rest of the current year on both Revenue and Capital projects.

There is an increase in the interest receivable on the Authority's cash investments of £19,520,000 due to the Bank of England's increase in base rate. Interest receivable is projected at £650,000, resulting in a surplus of £500,000 when compared to the budget. Interest payments on fixed rate loans of £9,817,000 are unaffected. Loans totalling £0.4m are due to be repaid this financial year.

RECOMMENDATION

The Panel is recommended to note:

(i) the risks to Revenue Budget and the projected underspend;

(ii) the forecast slippage and risks to the Capital Programme;

(iii) the ITG strategy position;

(iv) the reduced net forecast drawdown from reserves;

(v) the grants available and spending plans;

(vi) the monitoring of savings taken in 2023/24; and

(vii) the current year investments and borrowing.

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1. INTRODUCTION

1.1 The Original Revenue Budget 2023/24 and Capital Strategy 2023/24 to 2027/28 was approved at the meeting of the Fire Authority on 9 February 2023.

1.2 This is the third report to Members for the 2023/24 financial year and highlights the findings from Month 6 (end September) monitoring undertaken on the Revenue and Capital Budget 2023/24 and Capital Programme 2023/24 to 2027/28. It should be noted the review is based on currently available information and the result may change as new information emerges during the year.

	This P&R (Month 6) £'000	**Last CFA (Month 4) £'000**	**Movement £'000**
Revenue (see section 2)	(7)	193	(200)
Capital in year (see section 7)	(4,406)	(2,318)	(2,132)

1.3 The Revenue Budget approved by the Fire Authority in February 2023 was a net expenditure requirement of £40,057,000

1.4 A net revenue underspend to the sum of £7,000 has been identified at Month 6 (end September) and is reflected in the Revenue Budget 2023/24 objective summary at Appendix 1 and detailed in section 2.

1.5 The savings requirement 2023/24 is £1,295,000. The current position shows we have delivered or are on course to deliver £1,230,000 (95%) of savings. There are two savings at risk, which also relate to prior year savings, as detailed in Section 5.

1.6 The grants available total £3.983m, including grants brought forward from previous years, as summarised in Appendix 3 and detailed in section 5.

1.7 The five year Capital Strategy 2023/24 to 2027/28 was approved by the Fire Authority in February 2023 at £28,280,000. The Capital Strategy has been increased to £28,793,000 to include slippage of £975,000 and allocation of spend in advance of £462,000 from 2022/23. The 5 year Capital Programme is projected to underspend by £78,000 as summarised in Appendix 4 and detailed in section 8.

1.8 The Capital Budget for 2023/24 was approved by the Fire Authority at £8,421,000 and updated to £8,934,000 including slippage of £975,000 brought forward from 2022/23, allocation of spend in advance of £462,000 from 2022/23.

1.9 A number of Revenue Budget and Capital Programme risks are set out in section 3 which will be monitored throughout the year. The updated position on Contingency, Reserves, Borrowing and Investments is provided at sections 6, 8 and 9 respectively.

2. REVENUE BUDGET COMMENTARY

2.1 The Revenue Budget is projected to underspend by £7,000. This is summarised across divisions in Appendix 1 and detailed explanations are provided below.

2.2 Within the revenue forecast is an amount of £150,000 for the green book pay award sitting outside of the directorate areas.

This pressure reflects provision for a pay award of up to 6% in comparison to the budgeted amount of 4%. The employer's offer of a flat rate £1,925 has not been accepted.

2.3 **People Services:** Expected overspend of £66,000, as follows:

2.3.1 **HR:** Expected underspend of £54,000 (previous forecast £27,000 underspend). The underspend can be attributed to staff vacancies (£30,000), drawdown from People Strategy reserve to cover EDI training (£20,000), NHS prescriptions (£3,000), training (£3,000), offset by pressures due to maternity leave cover (£3,000), interview expenses in relation to the Direct Entrant post (£2,000). There are some other small variances within the department.

The movement since P4 can be attributed to transfer from reserves for EDI (£20,000) and a reduction in spend on advertising (£5,000), offset by an increase in staff costs due to extension of a FTC (£5,000).

2.3.2 **AD Admin Support:** Expected underspend of £36,000 (previous forecast £25,000 underspend). The underspend relates to a vacancy, with the movement since P4 relating to the length of the vacancy.

2.3.3 **Service Training Centre and Workforce Development:** An overspend of £53,000 is expected (previous forecast £57,000 underspend). The overspend can be attributed to on-call training overtime (£86,000), instructor overtime (£36,000), loss of commercial training income (£28,000) and wholetime covering absences (£18,000), offset by vacancies (£106,000), timber (£5,000) where excess inflation was provided and reduced usage of scrap cars (£4,000).

The movement since P4 can be attributed to the removal of the wholetime firefighter recruitment budget, which has been transferred to contingency (£175,000), pressure on commercial training income (£28,000), additional on-call training (£11,000), offset by additional vacancies (£50,000) and reduced trainer overtime (£31,000)

2.3.4 **Payroll:** An overspend of £77,000 is expected (previous forecast £84,000 overspend). The pressure is caused by an error in the budget for Pensions posts (£98,000) and pension advisory & interest charges (£6,000), offset by an underspend of £27,000 relating to vacancies.

The reduction since P4 can be attributed to finders fees being re-allocated (£11,000) and additional underspend relating to vacancy (£2,000), offset by additional pensions costs at £5,000.

2.3.5 **Occupational Health:** Expected overspend of £27,000 (previous forecast £27,000 overspend). The overspend relates to medical fees with an increased usage this year.

2.4 **Resources/Treasurer:** Expected underspend of £141,000, as follows:

2.4.1 **AD Resources/Treasurer :** An overspend of £1,000 is expected in relation to pay as budgets include a 1% vacancy factor.

2.4.2 **Estates:** An underspend of £46,000 is expected (previously forecast £131,000 underspend). The underspend can be attributed to staffing due to vacancies (£32,000) and condition surveys which won't be carried out in 2023/24 (£11,000), with a further £3,000 across the department.

The movement since P4 can be attributed to £120,000 utilities budget being transferred to contingency, with additional underspend due to vacancies (£21,000) and the condition surveys (£11,000).

2.4.3 **ITG:** Currently expecting an underspend of £120,000 (previous forecast £113,000 underspend). The underspend relates to project delays in Paging & Alerting, Health & Safety Management system and EDRMS (£92,000), delay in the rollout of MLL WAN services (£75,000), a reduction in CRM and Airbus licences (£88,000) and reduced charges from JFC (£10,000). These are offset by pressures for Firelink charges, where inflation of 13.5% has been applied (£79,000), additional Webex and Office 365 licences (£36,000), additional SIM cards for portable devices, caused by CRM tablets and increased mobile working (£18,000), assumed reduction in printing not realised (£8,000), staff vacancy factor not realised (£4,000).

The increase in underspend of £7,000 since P4 can mainly be attributed to the reduction in JFC charges (£10,000), with small movements in relation to other variances.

2.4.5 **Procurement:** An overspend of £36,000 is expected (previously forecast £3,000 overspend). A pressure of £45,000 relates to back-dated JE outcomes, with a further pressure of £44,000 relating to the PPE where there has been an inflationary increase of 14.3%. This is offset by underspends of £15,000 against the consultancy budget and £40,000 relating to staff pay with a part-year vacancy and the impact of pay being lower than budgeted.

The movement since P4 can be attributed to the back-dated pay awards (£45,000) offset by adjustment made to the vacancy period (£12,000).

2.4.6 **Legal Services**: A underspend of £12,000 is expected (previously forecast to budget). The spend is based on the current commitment, with the Q1 invoice being lower than expected.

2.5 **Planning and Improvement**: A forecast underspend of £167,000 is expected as follows:

2.5.1 **Communications**: An underspend of £63,000 is expected (previously forecast £60,000 underspend). Underspend of £64,000 relates to vacancies within the team, offset by pressures of £1,000 across a number of categories.

The movement of £3,000 since P4 can be attributed to pay costs as updated forecasts have been calculated in respect of cover for parental leave within the department.

2.5.2 **Performance:** An underspend of £92,000 is expected (previously forecast £42,000 underspend). The underspend relates to 2 vacancies in the team, an Analyst post and Officer to support HMICFRS inspection process.

The movement in forecast since P4 can be attributed to the vacancies. It had previously been forecast the Analyst post would be recruited to this year and the funding for the Officer would be required in 2024/25 and as such the underspend not previously reported.

The previous forecast underspend of £42,000 for advert/publicity costs in relation to the MTFP savings proposal has been reallocated to the contingency budget.

It is recommended the £44,000 underspend for the Office post is transferred to contingency.

2.5.4 **Cost of Democracy**: An underspend of £13,000 is expected (previously forecast £4,000 underspend). Underspend on webcasting (£15,000), members allowances (£5,000) and travelling (£2,000) are offset by an overspend of £10,000 on staffing relating to a backdated pay award and maternity cover.

The movement since P4 can be attributed to the underspend relating to webcasting (£15,000) offset by additional staff costs relating to maternity leave at £6,000.

2.6 **Safer Communities:** An overspend of £896,000 is expected with the variance detailed below.

Significant focus needs to be maintained on the Safer Communities action plan to reduce the forecast pressure for 2023/24 and to ensure that the position doesn't impact on the 2024/25 budget. These actions include:

- Fixed term contracts being reviewed by workforce planning to ensure they are only used when absolutely necessary and considered in conjunction with overtime risks of not doing so to minimise the pressure
- Performance measures need to be reported to ensure highly effective monitoring and approval of requests for overtime

- Overtime is closely monitored through the year, managers should be sighted on overtime dashboard reporting
- Review outstanding CRM savings to identify amount deliverable
- The annual leave, sickness and light duties policies are reviewed
- Occupational health contract is reviewed to ensure the process is conducive to ensuring staff return to work at the earliest opportunity

Finance are attending Group meetings on a monthly basis and are working with Station Managers to support their financial understanding and provide more detailed analysis of their station expenditure.

2.6.1 **AD Safer Communities:** An overspend of £104,000 is expected (as per P4 forecast). This pressure relates to savings as detailed in section 5.

2.6.2 **Safer Communities Contingency:** Previously this budget was reporting a £40,000 underspend, however this budget has been transferred to the groups to reduce the pressure.

2.6.3 **Groups:** The Groups are reporting an overspend of £970,000 (previous forecast overspend £1,098,000).

The forecast for the Groups includes the IRMP changes, although there are a number of moves still in progress. Finance and HR are working closely to ensure changes are reflected within the forecast.

Whilst re-profiled last financial year, the on-call budget does not appear to reflect current activity and spend patterns across the stations and further work is required to re-allocate these budgets.

It is unclear how the new crewing model will affect the reliance on overtime. The current forecast is extrapolated based on the overtime profile from 2022/23. The overtime paid in September was lower than forecast at P4, if this trend continues we should continue to see the overtime forecast reduce.

In September 2023 there were a total of 13 individuals on light duties, 20 individuals on long term absences and a total of 14 FTCs.

West: An overspend of £611,000 is expected. Overspend of £337,000 relates to wholetime pay, with an average over-establishment of 9.25 during the year. Additionally £237,000 overspend is due to overtime with a further £42,000 relating to on-call spend.

Central: An overspend of £122,000 is expected. Overspend of £91,000 relates to wholetime pay, with an average over-establishment of 2 during the year. Additionally £164,000 overspend is due to overtime and this is offset by an underspend of £129,000 relating to on-call spend.

East: An overspend of £238,000 is expected. Overspend of £45,000 relates to wholetime pay, with an average over-establishment of 0.5 during the year.

Additionally £138,000 overspend is due to overtime with a further £62,000 relating to on-call spend.

The movement across the Groups can be attributed to an increase in wholetime pay, with the extension of FTCs to cover long term sick/light duties. Overtime paid in September was lower than anticipated at P4 and this had reduced the overall forecast variance. More work has been undertaken on the on-call forecast, which had overall reduced based on year-to-date activity. Additionally £182,000 has been allocated to groups for the impact of the grey book pay award for on call and overtime.

2.6.6 **Prevention:** An underspend of £17,000 is expected (previous forecast £24,000 underspend). An underspend of £60,000 relates to vacancies within the department. These are offset by an overspend of £19,000 relating to Cadets, £12,000 overtime for Home Safety Visits and £5,000 for Soloprotect service charge which supports lone working. There are a number of other variances within the department.

The movement since P4 can be largely attributed to spend on franking (£5,000), along with other small movements.

2.6.7 **Protection:** An underspend of £116,000 (previously forecast to budget). The underspend relates to vacancies within the department.

Since P4 the department's position has been reviewed and this is the reason for the movement.

2.6.8 **IRMP:** An underspend of £45,000 is expected (as per P4 forecast). This is due to a temporary Group Manager position being held vacant.

2.7 **Operational Support & Resilience:** A forecast overspend of £43,000 is expected as follows:

2.7.1 **AD OSR:** An overspend of £5,000 is expected (previous forecast £6,000 overspend). The overspend can be attributed to FBU overtime for which there is no budget.

The reduction since P4 is attributable to the overtime, based on the year to date spend.

2.7.2 **Engineering**: An underspend of £126,000 is expected (previous forecast £31,000 overspend). The underspend can be attributed to equipment, including heavy rescue equipment (£222,000), fuel (£41,000), staff (£18,000), offset by overspends on vehicle maintenance and repairs (£137,000) and breathing apparatus (£14,000). There is overspend of £4,000 across a number of categories.

The forecast spend has reduced by £157,000 since P4, this can be attributed to equipment (£76,000) with purchase of RTC sets expected in 2024/25 now and a reduction relating to previous double count of PPV and Gas suits, costs for the

Vehicle Build Officer being transferred to capital (£38,000), fuel reduction based on latest prices (£29,000), tyres due to revised contract (£15,000).

2.7.3 **Ops P&P:** An overspend of £63,000 is expected (previous forecast £68,000 underspend). The overspend can be attributed to pressures in relation to hydrants (£88,000) and water rescue training (£3,000), offset by vacancies within the department (£28,000).

The movement since P4 can be attributed to hydrants (£77,000) and a reduction in vacancies (£55,000) as the Flexible Resource Pool (FRP) has been recruited in full. Previously the vacant FRP posts were not forecasted as it was felt this could result in a double count with the Safer Communities forecast.

There was a significant peak in spend on hydrants during August (£60,000), which is the reason for the increase in forecast, which is significantly higher than previous years where hydrants have been underspent. The spend has reduced in September and the team are working to understand the true impact on the revenue budget.

2.7.4 **Control Room:** An overspend of £101,000 is expected (previous forecast £25,000 overspend) based on the latest forecast received from Surrey FRS. The overspend can be attributed to staffing costs and IT systems.

Staff costs are higher than budgeted due to overtime, with additional costs for holiday pay and an extra bank holiday. The reasons for the overtime will be interrogated to determine whether there are controllable factors that can reduce future overtime levels. It is hoped the recent recruitment of bank staff will help to lower the amount.

There is also overspend on IT systems. Some of the overspend is due to the systems not being included within the budget and part is due to inflationary increases being higher than budgeted.

2.8 **CFO:** An overspend of £38,000 is expected (previous forecast £37,000 overspend). Overspend of £44,000 relates pay and is mainly due to the gold book pay award backdated to 1 January 2022. Additionally underspend of £8,000 is expected across a number of non-pay budgets.

The movement since P4 can be attributed to a review of non-pay budgets.

2.9 **Treasury Management**: This budget is reporting an underspend of £573,000 (previous forecast £571,000 underspend). The interest receivable for cash investments is expected to overachieve by £500,000 due to rising interest rates, with further underspends of £70,000 on interest payable and £2,000 on MRP due to slippage of the capital programme.

The movement since P4 can be attributed to the underspend of £2,000 on MRP, which had not previously been picked up in the forecast.

2.10 **Non-Delegated Costs:** An overspend of £139,000 is expected (previous forecast £142,000 overspend). £73,000 overspend is due to unfunded pension costs, with

£66,000 attributable to Procurement savings which have yet to be allocated across service budgets. Other small variances within non-delegated offset one another.

There is a small underspend of £5,000 currently forecast for ill health pensions, which includes costs for three new ill health retirements during 2023/24. There are a number of other potential ill health retirements in progress so there is a risk this forecast will increase. The position will continue to be monitored with HR as the year progresses.

The non-delegated budget includes the Workforce transition budget of £183,000. This is currently forecast to budget. At this stage a total of £132,000 has been committed for 2023/24, this covers:

- £100,000 - Work to support Future Foundations (Tranche 3) savings
- £16,000 – Benenden trial
- £10,000 – DBS checks
- £6,150 – Independent reporting lines
- £325 – 360 degree feedback

2.11 **Corporate Contingency:** A contingency budget of £298,000 is currently forecast to underspend and is supporting the overall forecast position.

Further information is provided in section 7.

2.12 **Financing:** Current information indicates that the Service will receive additional funding of £159,000 (as per previous forecast).

Based on forecasts from Local Government Futures it is expected an additional £74,000 will be received for Business Rates, with a further £86,000 received in relation to council tax surpluses.

3. REVENUE BUDGET AND CAPITAL PROGRAMME RISKS

3.1 **Pension Costs:** There is continued reliance on one-off grant to fund increased contributions for FPS following the last quadrennial valuation. The most significant risk is the impact of Remedy for both McCloud / Sargeant and Matthews / O'Brien cases on the scheme valuation and employers contribution rates from 2024/25, which we understand the Government may cover through an additional one off grant. The Authority will be liable for any non-scheme costs including interest and unauthorised tax charges as well as any additional administrative costs. A Pension Administration reserve is held to fund costs resulting from remedy implementation. It is expected the balance of this reserve as at 31 March 2024 will be £134,000, with £82,000 committed in 2023/24 as funding for Pensions posts.

3.2 **Pay Award 2023/24:** The budget provided for 4% pay awards across gold, grey and green book staff.

3.2.1 Gold book pay awards backdated to January 2022 are included within the reported forecast position.

3.2.2 Grey book staff have been awarded 7% from 1 July 2022 and 5% from 1 July 2023, which is included within the forecast position.

3.2.3 Green book staff have been offered £1,925, this offer has been rejected. The forecast position makes provision for a pay award of up to 6%, although this is not a confirmed position.

3.3 **Worldwide Supply Chain Issues:** The impact of worldwide supply chain disruption is impacting construction projects across the nation. The dwindling supplies along with increased costs and long delivery times being experienced by the construction industry are impacting on the Capital Programme. Thus far the Estates team has worked with stakeholders to bring tender costs back within budget through value engineering where possible on those projects which the Authority committed to following the phase 1 review of the Estates Capital Programme, but this approach may not be sustainable. There are two potential impacts, firstly increases in the cost of projects and secondly slippage of projects and spend into future years (which could in itself lead to additional increased costs). The Estates Team is currently carrying out a review of the remaining capital programme as part of the MTFP savings review. A report will be made to SLT in October, but we are seeing significant inflationary pressures across all projects, especially on larger schemes such as Preston Circus of around 30%.

3.4 **Inflationary Contract Increases**: In addition to utilities and fuel additional budget provision was allocated for maintenance and term contracts (£70,000), legal services (£4,000) and catering (£6,000). A standard 2% inflationary budget increase was included for all non-pay totalling £181,000. This there is a risk pressures will arise across non pay spend budgets that cannot be absorbed. This position will continue to be monitored with input from Procurement.

4. <u>MANAGING REVENUE BUDGET PRESSURES</u>

4.1 As risks crystalise the resulting pressures will be included within the revenue budget forecast. A number of areas require further analysis to identify further pressures or opportunities.

4.2 SLT have agreed the following controls are put in place for 2023/24:

- Workforce Planning Group will be used as a mechanism to:
  - Approve recruitment to all vacancies
  - Approve the use of agency staff
  - Have oversight of overtime spend (with a particular focus on Safer Communities & Training)
  - Review and agree forecasts for operational (grey book) strength.

- Management of discretionary spend to be a key focus, with Finance Business Partners working with budget managers to review opportunities to manage underspends on non-pay spend in 2023/24 with particular focus on areas such as training, estates maintenance and equipment (IT and Engineering).

5. SAVINGS PROGRAMME 2023/24

5.1 Appendix 2 summarises the net savings requirement 2023/24 of £1,295,000. Work is in ongoing with Service managers to identify and report actual delivery of savings compared to budgeted savings.

5.2 Current projections show we have delivered or are on course to deliver £1,230,000 (95%) of savings.

Procurement savings of £66,000 (£15,000 2023/24 and £51,000 prior year) are at risk and further work is required to understand if these can be delivered.

A pressure of £104,000 within Safer Communities (£50,000 2023/24 and £54,000 prior year) relating to CRM will be removed as part of budget setting for 2024/25. The CRM project resulted in a reduction in 4 posts, however these budget reductions were not allocated correctly against CRM at the time. There will be a further review through Tranche 3 to identify any further efficiencies.

6. GRANTS 2023/24

6.1 The Government has awarded grants for use on specific purposes and your officers will ensure these are delivered in accordance with grant conditions. These include grants awarded in year, brought forward from previous years where their spending plans fall over more than financial year and others that require development of spending plans. The amount available is £3.983m, as summarised in Appendix 3.

6.2 The latest grants are detailed below:

6.2.2 **Surge Protection Grant Funding: –** this is specifically to deal with inspections for high rise buildings and other high-risk buildings. The grant conditions have been received. A further allocation of £358,079 has been awarded for 2023/24. A spend plan has been developed to utilise this grant and it is expected £101,000 will be drawn down from the £125,645 brought forward from 2022/23.

6.2.4 **Accreditation & RPL Grant Funding**: £22,737 is carried froward from 2022/23 for the purposes of accrediting fire protection officers and fire safety engineers. It is anticipated this grant will be utilised over the next two years.

6.2.5 **Fire Fighter Pension Scheme:** this is used towards the shortfall in employer's pension contributions.

6.2.6 **New Dimensions:** £47,667 is carried forward from 2022/23 and additional £27,430 grant relates to 2023/24. A spending plan has been developed and it is expected £54,231 will be spent this year, with the balance of £20,866 carried forward to 2024/25. A half yearly review meeting is scheduled in October, when the spending plan will be reviewed.

6.2.7 **Responding to New Risks:** £31,355 is carried forward from 2022/23, and additional £6,500 grant relates to 2023/24. A spending plan has been developed and it is expected £37,111 will be spent this year, with the balance of £744 carried forward to 2024/25. A half yearly review meeting is scheduled in October, when the spending plan will be reviewed.

7. CONTINGENCY 2023/24

7.1 The Fire Authority maintains a contingency in order to assist it in managing one-off unforeseen pressures and making investments within the financial year. At its meeting held in February 2023, the Fire Authority agreed a contingency of £533,000 for the 2023/24 financial year. This included the general 2% inflation provision of £181,000 which has not been allocated out to relevant non pay spend budgets.

7.2 The contingency increased by £336,000 as approved by SLT and brings the total amount available to £869,000.

Commitments approved to date total £571,000 for the grey book pay award for wholetime and on call staff, leaving a contingency balance of £298,000 as at the end of September as detailed in the table below:

	£'000
Opening Balance 1 April 2023	**533**
Utilities underspend agreed by SLT in July	120
Wholetime recruitment underspend agreed by SLT in July	175
MTFP consultation underspend agreed by SLT in July	41
Available	**869**
Allocations	
Wholetime pay award	(571)
Amount Remaining end September	**298**

8. CAPITAL PROGRAMME COMMENTARY

8.1 The original 2023/24 Capital Budget and five year Capital Strategy of £28,280,000 was approved by the Fire Authority on 9 February 2023. The Capital Strategy has been increased to £28,793,000 to include slippage of £975,000 and allocation of spend in advance of £462,000 from 2022/23.

8.2 The Capital Programme is funded by: Capital Receipts Reserve £595,000, Capital Programme Reserves £13,895,000, and New Borrowing £14,224,000 as shown in the table below. Overall, the revised 5 year Capital Programme is forecasted to come in £79,000 underspent.

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Estates	4,680	2,849	4,347	3,151	1,090	16,117
Fleet & Equipment	3,741	2,529	1,741	1,928	2,224	12,163
Original Approved Programme	8,421	5,378	6,088	5,079	3,314	28,280
Slippage from 2022/23	975					975
Spend in Advance from 2022/23	(462)					(462)
Slippage to 2024/25	(4,461)	4,461				0
Spend in Advance from 2024/25	133	(133)				0
Underspend	(78)					(78)
Updated Capital Programme	**4,528**	**9,706**	**6,088**	**5,079**	**3,314**	**28,715**
Funded by:						
Capital Receipts Reserve	595	0	0	0	0	595
Capital Programme Reserve	3,933	2,462	2,000	2,500	3,000	13,895
New Borrowing / Need to Borrow		7,244	4,088	2,579	314	14,225
Updated Capital Programme	**4,528**	**9,706**	**6,088**	**5,079**	**3,314**	**28,715**

8.3 **Capital Funding** – The Service has also 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.

8.4 The **Capital Budget 2023/24** was approved by the Fire Authority at £8,421,000 and updated to £8,934,000 (Property £5,655,000 and Fleet and Equipment £3,279,000) including slippage of £975,000 brought forward from 2022/23 and allocation of spend in advance of £462,000 from 2022/23.

8.5 A review of the 2023/24 capital budget by officers has identified slippage to the value of £4,461,000 (49.9%) and spend in advance of £133,000. There is additional underspend of £78,000 expected, as summarised in Appendix 4.

8.5.1 The Estates / Property underspend is £4,214,000, of which £4,222,000 is slippage due to the reprioritisation and reprofiling of works and £8,000 relates to spend in advance. Work has been delayed in relation to Preston Circus, Roedean, Eastbourne, Bohemia Road, the four MPTH, Security, Sustainability, Training Towers, Bay Doors, Floors and IT Building works.

The underspend has increased by £1,983,000 since P4, including £329,000 on Preston Circus, £448,000 on Roedean, £536,000 on Eastbourne, £285,000 on Bohemia Road, £60,000 on Sustainability and £289,000 on Bay Doors, Floors & IT building works.

8.5.2 The Fleet underspend is £192,000. There is slippage of £239,000, £135,000 relates to the Fire Investigation and Hazmat vans, £67,000 relates to a decision to pause the purchase of pool cars whilst a review is undertaken, with a further £35,000 relating to IRMP equipment. Spend in advance of £125,000 relates to the water carrier, where budget was previously slipped to 2024/25 during budget setting. Underspend of £79,000 relates to five vehicle purchases, CCTV installation and equipment.

The forecast position includes the decision to capitalise 80% of the Vehicle Build Officer costs, however at this stage this is shown separately and will be allocated against projects in due course.

The forecast spend has reduced by £111,000 since P4, which can be attributed to slippage of the Fire Investigation and Hazmat vans, with underspend of £14,000 relating to installation costs for CCTV on vehicles, offset by £38,000 allocated for the Vehicle Build Officer.

9. IT STRATEGY 2023/24

9.1 A review of the 2023/24 IT Strategy forecasts indicates a total of £2.292m will be drawn down from the reserve this year, against an original plan of £5.268m. The main slippages relate to Process Digitisation (£301,000), ESN (£1.425m), Health & Safety system (£123,000), Pagers and Alerters (£428,000) and Telephony (£270,000). The full breakdown can be seen in Appendix 7.

There has been a reduction of £111,000 since P4, which can be attributed to Laptop lifing (£250,000), Lewes HQ network lifing (£30,000) and mobile phone device strategy/replacement (£60,000), offset by an increase of £229,000 for the Finance system replacement, which has been funded by a transfer from the Process Digitisation budget as approved by SLT.

10. RESERVES 2023/24

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

10.2 The opening balance of reserves at 1 April 2023 is £14.460m.

10.3 The forecast net drawdown from reserves totals £6,277,000 compared to the original planned net drawdown of £7,293,000. This is a net reduction in drawdown of £1,016,000 resulting in an estimated balance at 31 March 2024 of £8,183,000 as summarised in the table below and detailed over individual reserves in Appendix 5.

	Balance at 1 April 2023 £'000	Original Planned Net Transfers 2023/24 £'000	Forecast Net Transfers 2023/24 £'000	Net change 2023/24 £'000	Balance at 31 March 2024 £'000
Earmarked Reserves	12,384	(7,086)	(6,076)	1,010	6,308
General Fund	1,556	319	319	0	1,875
Total Revenue Reserves	**13,940**	**(6,767)**	**(5,757)**	**1,010**	**8,183**
Total Capital Reserves	520	(526)	(520)	6	0
Total Usable Reserves	**14,460**	**(7,293)**	**(6,277)**	**1,016**	**8,183**

10.4 Work continues with budget managers to confirm the planned use of revenue and capital reserves in 2023/24.

10.5 The main reasons for the overall net reduction in forecast drawdown of £1,016,000 are as follows:

Earmarked Reserves – Decrease of £1,010,000

- £192,000 – changes to drawdown from Business Rates Pool Reserve based on P6 budget monitoring forecast for Protection spend and changes to contribution for 2022/23
- (£75,000) – increased drawdown from Mobilising reserve
- (£18,000) – increased drawdown from the Improvement & Efficiency reserve
- £973,000 – reduced drawdown from the Capital Programme Reserve
- (£71,000) – increased drawdown from the Covid reserve
- £44,000 – reduced drawdown from the Carry Forward Reserve
- (£1,000) – increased drawdown from cadets reserve
- £12,000 – reduced drawdown from People Strategy reserve
- £9,000 – reduced drawdown in respect of grant balances carried forward
- (£78,000) – increased drawdown from the ITG strategy reserve
- £23,000 – reduced drawdown from the Pensions Administration reserve

Capital Reserves – Decrease £6,000

- £6,000 – due to balance of Capital Receipts Reserve being lower than anticipated when the budget was set and additional capital receipts received during 2023/24.

11. BORROWING AND INVESTMENT

11.1 As at end September, the Authority held cash balances of £19,520,000 which were invested in accordance with the Treasury Management Strategy, as follows:

Counterparty	Duration	Amount	Interest Rate
		£m	%
Aberdeen Cash Money Market Fund	Overnight Access	3.000	5.29
Deutsche Cash Money Market Fund	Overnight Access	3.000	5.22
Aviva Cash Money Market Fund	Overnight Access	3.000	5.32
Federated Cash Money Market Fund	Overnight Access	0.520	5.35
Barclays	95 Day Notice	3.000	5.30
Goldman Sachs	Fixed to 02/11/23	1.000	5.58
Goldman Sachs	Fixed to 06/12/23	2.000	5.23
Standard Chartered ESG	Fixed to 05/01/24	1.000	5.81
Standard Chartered ESG	Fixed to 09/02/24	1.000	5.67
Natwest	Fixed to 01/08/24	1.000	5.91
Natwest	Fixed to 03/05/24	1.000	4.82
Total Investments		**19.520**	

11.2 The Bank of England base rate rose 0.25% to 5.25% in August. We are continuing to see an impact as Banks increase their rates on investments, resulting in higher levels of interest receivable. Latest modelling indicates the income of around £650,000 can be achieved, £500,000 above the budgeted level of £150,000.

11.3 The current forecast of a reduction in reserves of £6.286m means that the Service will need to monitor its liquidity and cashflow closely during the year and this may involve giving notice on some of its existing investments. Finance continues to work with the ESCC Treasury Management team to improve cash-flow monitoring.

11.4 The Authority's borrowing has reduced to £9,581,000, with the repayment of 2 loans totalling £236,000 in September 2023. The increase in base rate does not impact the interest payable on outstanding borrowing as these are subject to fixed interest rate deals.

No further borrowing is expected this financial year.

Appendix 1

Revenue Budget 2023/24 – Objective Summary

	Original Budget	Revised Budget	Projected Outturn	Variance	Variance	Variance Month 4 Reported to SLT	Variance From Last Reported
	£'000	£'000	£'000	£'000	%	£'000	£'000
People Services	4,200	4,044	4,111	66	1.6	176	(110)
Resources/Treasurer	9,093	8,974	8,832	(142)	(1.6)	(126)	(16)
Planning and Improvement	1,555	1,472	1,305	(167)	(11.3)	(64)	(103)
Total Deputy Chief Fire Officer	**14,847**	**14,489**	**14,248**	**(241)**	**(11)**	**(13)**	**(228)**
Safer Communities	22,862	23,491	24,386	896	3.8	1,093	(199)
Operational Support	4,942	4,915	4,958	43	0.9	(6)	49
Total Assistant Chief Fire Officer	**27,805**	**28,406**	**29,344**	**938**	**5**	**1,087**	**(150)**
CFO Staff	844	844	882	38	4.4	37	1
Treasury Management	755	755	182	(573)	(75.9)	(571)	(2)
Non Delegated costs	(1,052)	(1,060)	(919)	139	(13.2)	142	(2)
Corporate Contingency	533	298	0	(298)	(100.0)	(479)	181
Transfer from Reserves	(636)	(262)	(262)	0	0.0	0	0
Transfer to Reserves	1,961	1,587	1,587	0	0.0	0	0
Total Corporate	**2,405**	**2,162**	**1,468**	**(694)**	**(185)**	**(871)**	**178**
Green book pay award	0	0	150	150	0.0	150	0
Total Net Expenditure	**45,057**	**45,057**	**45,210**	**153**	**(191)**	**353**	**(200)**
Financed By:							
RSG	(3,662)	(3,662)	(3,661)	1	(0)	1	(0)
Council Tax	(31,093)	(31,093)	(31,093)	0	0	0	0
Business Rates	(7,776)	(7,776)	(7,827)	(51)	1	(51)	0
Service Grant Allocation	(408)	(408)	(408)	(0)	0	(0)	0
Covid-19 Local Tax Support Grant	(56)	(56)	(56)	0	0	0	0
S31 Grants	(2,063)	(2,063)	(2,086)	(23)	1	(23)	0
Collection Fund Surplus/Deficit	0	0	(86)	(86)	0	(86)	0
Total Financing	**(45,057)**	**(45,057)**	**(45,217)**	**(159)**	**0**	**(159)**	**0**
Total Over / (Under) Spend	**0**	**0**	**(7)**	**(7)**	**0**	**193**	**(200)**

Appendix 2

Savings Programme 2023/24

Description	Savings 23/24	Projection 22/23	At Risk	R.A.G Rating
	£'000	£'000	£'000	Select Status
Reduce contingency - one year only - reversal	48	48		
IT Projects to be reprofiled - reveral	33	33		
Procurement savings	(25)	(10)	(15)	
Insurance - installation of CCTV on fleet	(15)	(15)		
Telent contract savings	3	3		
CRM Benefits realisation	(50)		(50)	
IRMP savings	(49)	(49)		
Finance Business Partner	(60)	(60)		
Finance Support Services Contract	(35)	(35)		
Insurance - removal of PA cover	(23)	(23)		
EIRS	(27)	(27)		
Trustmarque 0365 EA Agreement	(20)	(20)		
Astrium	(8)	(8)		
BT	(22)	(22)		
ITG Training	(3)	(3)		
SEE Phase 4	(30)	(30)		
Finance and Improvement	(30)	(30)		
Additional Rates Savings	(106)	(106)		
Licences	(4)	(4)		
Consultant Fees	(20)	(20)		
E-recruitment	(4)	(4)		
Firewatch Benefits realisation	25	25		
HR travel and licences	(9)	(9)		
NHS recharges	(4)	(4)		
VDU eye tests	(2)	(2)		
Occupational health psychology	(8)	(8)		
Occupational health medical fees	(10)	(10)		
Officers subsistence	(1)	(1)		
EDI training	(10)	(10)		
Car allowance	(4)	(4)		
External training	(160)	(160)		
Engineering Fitting Out	(30)	(30)		
Engineering Heavy Rescue Equipment	(52)	(52)		
Control IT SLA	(199)	(199)		
Budget Error - CRM	(54)	(54)		
Additional Availability Allowance	(20)	(20)		
NI reduction	(230)	(230)		
Support Staff Pay Vacancy Factor	(80)	(80)		
Total Net Savings	**(1,295)**	**(1,230)**	**(65)**	

Appendix 3

Grants and Spending Plans 2023/24

Grants Requiring Claims	Lead AD	*Grant Brought Forward 1 April 2022	Grant 2023/24	Total Available Grant	Claim Quarter 1	Claim Quarter 2	Claim Quarter 3	Claim Quarter 4	Balance Remaining
		£	£	£	£	£	£	£	£
ESMCP - LTR Regional	Hannah Scott-Youldon	59,725	-	59,725	No claims will be made during 2023/24				59,725
**ESMCP - Infrastructure	Hannah Scott-Youldon	1,425,000	-	1,425,000	No claims expected during 2023/24				1,425,000
Accreditation & RPL Funding	Matt Lloyd	22,737	-	22,737	-				22,737
Surge Protection Grant Funding - Protection Uplift	Matt Lloyd	125,645	358,079	483,724	76,658				407,066
		1,939,347		**1,991,186**	**76,658**	**-**	**-**	**-**	**1,914,528**

Grants - No Claims Requirement	Lead AD	Balance Remaining	Grant 2023/24	Total Available Grant	Comments	Balance Remaining
		£		£		
COVID - 19	Duncan Savage	71,656	-	71,656	Available to spend on Efficiency & Productivity	71,656
Firelink	Duncan Savage	0	143,420	143,420	Used to fund Airwave costs in 2023/24	143,420
New Dimensions	Hannah Scott-Youldon	47,667	27,430	75,097	Plan to spend £54,231 in 2023/24	20,866
Pensions Grant	Duncan Savage	0	1,734,984	1,734,984	Used in 2023/24	1,734,984
Responding to New Risks	Hannah Scott-Youldon	31,355	6,500	37,855	Plan to spend £37,111 in 2023/24	744
Total		**1,083,975**	**1,083,975**	**1,991,356**		**1,900,014**
Overall Total Grants		**3,023,322**	**1,083,975**	**3,982,542**		**3,814,542**

Appendix 4

Capital Programme 2023/24 to 2027/28

Capital Programme Expenditure 2023-24 to 2027-28	Total Budget	Total Previous Years	2023/24	2024/25	2025/26	2026/27	2027/28	Remaing Spend	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property									
Shared Investment Schemes									
Integrated Transport Project	800					800		800	-
Roedean Betterment	25		25					25	
Bohemia Road Betterment	95		95					95	
Fort Road - RIBA Stages 1-2	99	21	78					78	
Preston Circus	3,287	394	1,243	1,650				2,893	-
Total Shared Investment Schemes	**4,306**	**415**	**1,441**	**1,650**	**-**	**800**	**-**	**3,891**	**-**
Strategic Schemes									
- Replacement Fuel Tanks	492	450	42					42	-
- Partner contribution	(292)	(292)						-	-
- Replacement fuel tanks net cost	200	158	42	-	-	-		42	-
Design Guide	356	356						-	-
Hove	525	521	4					4	-
Roedean	482	53	429					429	-
Eastbourne	587	97	490					490	-
Bohemia Road	524	46	478					478	-
Security	386	95	291					291	-
Sustainability	171	22	119	30				149	-
MPTH	399	399						-	-
Eastbourne MPTH	259	26	233					233	-
Training Centre MPTH	308	34	274					274	-
Hove MPTH	278	24	254					254	-
Bohemia Road MPTH	257	26	231					231	-
Live Fire Training	4,000	49	34	437	2,500	980		3,951	-
Total Strategic Schemes	**8,732**	**1,906**	**2,879**	**467**	**2,500**	**980**	**-**	**6,826**	**-**
General Schemes	830	830						-	-
Phase 1 General Costs	36	30	6					6	
Seaford CIL	296	3	12	281				293	-
Seaford CIL partner Contribution	(133)			(133)				(133)	-
Barcombe CIL	392	4	14	374				388	-
Barcombe CIL Partner Contribution	(156)			(156)				(156)	-
The Ridge	408			20	388			408	-
Hailsham	184	19	8	10	147			165	-
Rye	532	12	36	17	467			520	-
Battle	163	1			56	106		162	-
Herstmonceux	279					50	229	279	-
Bexhill	460					200	260	460	-
Heathfield	280	9	9	19	243			271	-
Uckfield	495	8			100	387		487	-
Lewes	577	6			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	94	94						-	-
Total General Schemes	**5,428**	**1,016**	**85**	**432**	**1,642**	**1,163**	**1,090**	**4,412**	**-**
Bay Doors, Floors, IT	1,515	7	795	300	205	208		1,508	-
Training Towers	279	1	278					278	-
Temperature Control in Sleeping Pods	195	18	177					177	-
Total Property	**20,455**	**3,363**	**5,655**	**2,849**	**4,347**	**3,151**	**1,090**	**17,092**	**-**
Vehicle Cameras	150		136					136	(14)
Grant Funds	(117)		(117)					(117)	-
Breathing Apparatus	1,000					500	500	1,000	
	-							-	
Aerials	2,228	908	1,320					1,320	-
Aerial Rescue Pump	22	22						-	-
Fire Appliances	8,636	4,158	562	904	887	932	1,122	4,407	(71)
Ancillary Vehicles	2,831	774	799	1,037	153		77	2,066	9
Cars	2,262	861	102	286	531	261	215	1,395	(6)
Vans	2,358	1,018	323	302	170	235	310	1,340	-
Equipment	70		35					35	(35)
Employee Cost Allocation			38					38	38
Rounding Adj	2		2					2	-
Total Fleet and Equipment	**16,228**	**7,741**	**3,200**	**2,529**	**1,741**	**1,928**	**2,224**	**11,622**	**(78)**
Total Expenditure	**36,683**	**11,104**	**8,855**	**5,378**	**6,088**	**5,079**	**3,314**	**28,714**	**(78)**

Capital Programme 2023/24

Estates Capital Programme Expenditure 2023/24

Project	Total Budget 2023/24 £’000	Forecast 2023/24 £’000	*Variance 2023/24 £’000*	*Variance 2023/24 %*	Underspend/ Overspend 2023/24 £’000	Spend in Advance 2023/24 £’000	Slippage 2023/24 £’000	P4 Variance 2023/24 £’000	Movement 2023/24 £’000
Roedean Betterment	25	25	-					0	
Bohemia Road Betterment	95	60	(35)				(35)	(35)	-
Fort Road - RIBA Stages 1-2	80	80	-	0%				45	(45)
Preston Circus	1,304	377	(927)	-71%			(927)	(598)	(329)
Total Shared Investment Schemes	**1,504**	**542**	**(962)**		-	-	**(962)**	**(588)**	**(374)**
Replacement Fuel Tanks (incl. Partner contribution)	42	42	-					-	
Design Guide:									
Hove	4	9	5	125%		5		(4)	9
Roedean	450	2	(448)	-100%			(448)	-	(448)
Eastbourne	536	-	(536)				(536)	-	(536)
Bohemia Road	534	249	(285)	-53%			(285)	-	(285)
Security	291	236	(55)				(55)	(55)	-
Sustainability	119		(119)				(119)	(59)	(60)
MPTH:									-
Eastbourne MPTH	233	13	(220)	-94%			(220)	(220)	-
Training Centre MPTH	274	19	(255)	-93%			(255)	(255)	-
Hove MPTH	254	20	(234)	-92%			(234)	(234)	-
Bohemia Road MPTH	232	23	(209)	-90%			(209)	(208)	(1)
Live Fire Training	34	34	-					-	-
Total Strategic Schemes	**3,003**	**647**	**(2,356)**		-	**5**	**(2,361)**	**(1,035)**	**(1,321)**
Phase 1 General Costs	-		-				-	-	-
Seaford CIL (Incl. Partner contribution)	12	-	(12)	-100%			(12)	(12)	-
Barcombe CIL (Incl. Partner contribution)	14	1	(13)	-93%			(13)	(14)	1
Hailsham	8	-	(8)	-100%			(8)	(8)	-
Rye	36	38	2	6%		2		2	-
Heathfield	9	10	1	11%		1		-	1
Total General Schemes	**79**	**49**	**(30)**	**(0)**	-	**3**	**(33)**	**(32)**	**2**
Total Bay Door, Floor, IT Building Works	795	203	(592)	-74%			(592)	(303)	(289)
Total Training Towers	279	-	(279)	-100%			(279)	(278)	(1)
								-	
Rounding	(5)		5				5		
								(2,236)	
Total	**5,655**	**1,441**	**(4,214)**	**-75%**	-	**8**	**(4,222)**	**(2,236)**	**(1,983)**

Fleet Capital Programme Expenditure 2023/24

Project	Total Budget 2023/24 £’000	*Forecast 2023/24 £’000*	*Variance 2023/24 £’000*	*Variance 2023/24 %*	Underspend/ Overspend 2023/24 £’000	Spend in Advance 2023/24 £’000	Slippage 2023/24 £’000	P4 Variance 2023/24 £’000	Movement 2023/24 £’000
GX13ECD	525	525	-					-	
GX08JPF	795	795	-					-	
Total Aerials	**1,320**	**1,320**	-		-		-	-	-
GX09HJA	222	204	(18)	-8%	(18)			(18)	-
GX09HJC	222	204	(18)	-8%	(18)			(18)	-
GX57EUL	189	154	(35)	-19%	(35)			(35)	-
Total Fire Appliances	**633**	**563**	**(71)**		**(71)**		-	**(71)**	-
MX08SXS	321	321	-					-	
TRA14	4	4	-	0%				-	
TRA6	43	43	-					-	
TRA7	43	43	-					-	
GX57 EUV	-	125	125			125		125	-
GX56 NWR	157	157	-	0%				-	
GX56 NWS	157	157	-					-	
GX03 AXM	-	9	9		9			9	-
OU04 VNW	65	65	-					-	
Total Ancillary Vehicles	**790**	**924**	**134**		**9**	**125**	-	**134**	-
GX15JJL	85	85	-					-	
GU16LSC	33	33	-					-	
GX17EBM	33	33	-					-	
GX68DHA	37	37	-					-	
Fire Investigation - NEW!	70		(70)				(70)	-	(70)
Hazmat - NEW!	65		(65)				(65)	-	(65)
Total Vans	**323**	**188**	**(135)**		-		**(135)**	-	**(135)**
GV18 ABF	41	35	(6)	-14%	(6)			(6)	-
GX66JVU	14	-	(14)	-100%			(14)	(14)	-
GX66JVV	14	-	(14)	-100%			(14)	(14)	-
GX66JVW	13	-	(13)	-100%			(13)	(13)	-
GX66JVY	13	-	(13)	-100%			(13)	(13)	-
GX66JVZ	13	-	(13)	-100%			(13)	(13)	-
Total Cars	**108**	**35**	**(73)**		**(6)**		**(67)**	**(73)**	-
Equipment	35	-	(35)		(35)			(35)	-
CCTV Cameras	150	136	(14)		(14)			-	(14)
ITF grant for CCTV cameras	(117)	(117)	-					-	
Equipment (Operational IRMP)	35	-	(35)				(35)	(35)	-
Total Special Projects	**103**	**19**	**(84)**		**(49)**		**(35)**	**(70)**	**(14)**
Allocation of Employee costs	-	38	38		38				
Rounding Adjustment	2	-	(2)				(2)	(2)	-
Total	**3,279**	**3,087**	**(192)**	**-6%**	**(78)**	**125**	**(239)**	**(82)**	**(149)**

Total Capital Programme 2023/24

	Total Budget 2023/24 £’000	*Forecast 2023/24 £’000*	*Variance 2023/24 £’000*	*Variance 2023/24 %*	Underspend/ Overspend 2023/24 £’000	Spend in Advance 2023/24 £’000	Slippage 2023/24 £’000	P4 Variance 2023/24 £’000	Movement 2023/24 £’000
Total	8,934	4,528	(4,406)	-49%	(78)	133	(4,461)	(2,318)	(2,132)

Appendix 6

Reserves 2023/24

Description	Opening Balance	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	Projected Closing Balance	Lead AD
	01/04/2023	Original Planned Transfers In	Original Planned Transfers Out	Original Planned Transfers Net	Forecast Transfers In	Forecast Transfers Out	Forecast Transfers Net	Net Change	as at 31 March 2024	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves										
Business Rate Pool Reserve*	1,093	0	(200)	(200)	(8)	0	(8)	192	1,085	Duncan Savage
Business Rates Retention Pilot - financial stability	80	0	(80)	(80)	0	(80)	(80)	0	0	Duncan Savage
Capital Programme Reserve	3,895	1000	(4,906)	(3,906)	1000	(3,933)	(2,933)	973	962	Duncan Savage
Covid-19	71	0	0	0	0	(71)	(71)	(71)	0	Duncan Savage
ESMCP ESFRS readiness	1,425	0	0	0	0	0	0	0	1,425	Hannah Scott-Youldon
ESMCP Regional Programme	60	0	0	0	0	0	0	0	60	Hannah Scott-Youldon
Improvement & Efficiency	521	0	(214)	(214)	0	(232)	(232)	(18)	289	Duncan Savage
Insurance	249	0	0	0	0	0	0	0	249	Duncan Savage
ITG Strategy	3,509	592	(2,199)	(1,607)	607	(2,292)	(1,685)	(78)	1,824	Duncan Savage
Mobilising Strategy	75	0	0	0	0	(75)	(75)	(75)	0	Duncan Savage
People Strategy	312	0	(130)	(130)	25	(143)	(118)	12	194	Julie King
Sprinklers	440	0	(440)	(440)	0	(440)	(440)	0	0	Hannah Scott-Youldon
BRR - Protection Uplift - Accreditation & RPL	23	0	(12)	(12)	0	(7)	(7)	5	16	Matt Lloyd
BRR - Protection Uplift - Protection	126	0	(96)	(96)	0	(101)	(101)	(5)	25	Matt Lloyd
Business Rate Tax Income Guarantee Scheme (75%)	16	0	(16)	(16)	0	(16)	(16)	0	0	Duncan Savage
Council Tax Income Guarantee Scheme (75%)	41	0	(42)	(42)	0	(41)	(41)	1	0	Duncan Savage
New Dimensions Grant	48	0	(32)	(32)	0	(27)	(27)	5	21	Hannah Scott-Youldon
Pensions Administration	216	0	(105)	(105)	0	(82)	(82)	23	134	Julie King
Responding to New Risks	31	0	(33)	(33)	0	(30)	(30)	3	1	Hannah Scott-Youldon
Carry Forwards	147	0	(173)	(173)	0	(129)	(129)	44	18	Duncan Savage
Cadets	6	0	0	0	5	(6)	(1)	(1)	5	Matt Lloyd
Total Earmarked Reserves	**12,384**	**1,592**	**(8,678)**	**(7,086)**	**1,629**	**(7,705)**	**(6,076)**	**1,010**	**6,308**	
General Fund	1,556	319	0	319	319	0	319	0	1,875	Duncan Savage
Total Revenue Reserves	**13,940**	**1,911**	**(8,678)**	**(6,767)**	**1,948**	**(7,705)**	**(5,757)**	**1,010**	**8,183**	
Capital Receipts Reserve	520	0	(526)	(526)	75	(595)	(520)	6	0	Duncan Savage
Total Capital Reserves	**520**	**0**	**(526)**	**(526)**	**75**	**(595)**	**(520)**	**6**	**0**	
Total Usable Reserves	**14,460**	**1,911**	**(9,204)**	**(7,293)**	**2,023**	**(8,300)**	**(6,277)**	**1,016**	**8,183**	

Appendix 7

ITG Strategy

Project	Total Budget 2023/24 £'000	*Forecast 2023/24 £'000*	*Variance 2023/24 £'000*	*Variance 2023/24 %*		*P4 Forecast 2023/24 £'000*
CRM	296	296	0			296
EDRMS	592	62	(530)	-90%		62
ESN (ESMCP)	1425	0	(1,425)	-100%		0
Finance System Improvement / Replacement	272	501	229	84%		272
FireWatch Retained Pay Integration	55	0	(55)	-100%		0
Fleet & Asset Replacement System	111	111	0			111
GDPR File Cleanse	46	46	0			46
iLearn & FireWatch Integration	35	35	0			35
Increase Flexible working capabilities	25	25	0			25
Information Security	75	75	0			75
Integrated Health & Safety System	123	0	(123)	-100%		0
One to many video STC Cisco Room Kit	15	15	0			15
Pagers and Alerters	434	6	(428)	-99%		6
Performance Management System (Phase 2,3,4)	9	9	0			9
BI Mobilising Reporting (P21)	3	3	0			3
BI Moblising Reporting system Phase 2 (inphase)	20	20	0			20
PSN Compliance	134	100	(34)	-25%		100
Total Business Projects	**3,670**	**1,304**	**(2,366)**	**-64%**		**1075**
IP Telephony Strategy	350	80	(270)	-77%		80
IT outsource re-tender	117	117	0			117
Laptop Lifing	250	0	(250)	-100%		250
Lewes HQ Network Lifing	30	0	(30)			30
Migrate Lifeboat to Sharepoint Online	65	65	0			65
MS Roadmap	244	244	0			244
Mobile Phone and Device Strategy / replacement	60	0	(60)	-100%		60
Upgrade TomTom Bridge	100	100	0			100
WAN strategy	382	382	0			382
Total IT Projects	1,598	988	(610)	-38%		1328
Total Projects Budget	5,268	2,292	(2,976)	-56%		2,403

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EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting:	Policy & Resources Panel
Date:	9 November 2023
Title of Report:	Treasury Management-Half Year Review For 2023/24
By:	Duncan Savage, Assistant Director Resources / Treasurer
Lead Officer:	Richard Carcas, Principal Finance Officer, Treasury Centre of Expertise, Orbis

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Background Papers: Fire Authority:
15 June 2023 – Agenda Item 155 Treasury Management – Stewardship report for 2022/23
9 February 2023 – Agenda Item 139: Treasury Management Strategy for 2023/24

CIPFA Treasury Management in the Public Services code of practice and cross sector guidance notes

Local Government Act 2003

CIPFA Prudential Code

Appendices: None

Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT: The treasury management half yearly report is a requirement of the Fire Authority's reporting procedures and covers the treasury activity for the first six months of 2023/24. The report includes an update on the first half year of Prudential Indicators which relate to treasury activity.

EXECUTIVE SUMMARY: The Fire Authority has complied with its approved Treasury Management Strategy and Prudential Indicators during the first 6 months of the year.

The first six months of the year have been challenging economic times as a result of global events and inflationary factors on the UK economy. The average rate of interest received through Treasury Management activity was 4.66%. This reflected the Fire Authority's continuing prioritisation of security and liquidity over yield. The Bank of England (BoE) base rate during the period was increased on three separate occasions in May, June and August and at 30 September it was 5.25%. The average Bank of England Base Rate during the six months to 30 September was 4.80%.

The Fire Authority has always adopted a prudent approach on its investment strategy, and, in the last few years there have been regular changes to the list of the approved organisations used for investment of short term surpluses. There were no changes proposed to the Investment Strategy for 2023/24.

CIPFA published the revised Treasury and Prudential codes in December 2021. Full adoption of the new Codes is incorporated within this Strategy.

No new borrowing has been undertaken in 2023/24 to date. On the 30 September 2023 total Public Works Loan Board (PWLB) loan debt outstanding was £9.58m, at an average interest rate of 4.49%. In the period two PWLB loans matured on the 30 September, totalling £236k and were at an average rate of 5.50%. The next loan repayment is due on the 31 December 2023 (£164k). There have been no beneficial opportunities to reschedule debt so far during the year to date. However, opportunities will be considered if they are both prudent and affordable.

A training session led by Officers was delivered at the Members Seminar on the 18 September. The session covered Treasury Management issues in the context of the Authority's financial position and introduced management tools, such as the Liability Benchmark, used by Officers to manage Treasury related risks.

The projected outturn of the Fire Authority's Capital Financing Requirement (CFR), a measure of the underlying need to borrow is £9,417m.

RECOMMENDATION: The Panel is recommended to:

(i) Note the treasury management performance for the first half year of 2023/24.

(ii) Identify any further reassurance the Panel requires in relation to the delivery of the Treasury Management Strategy.

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1. INTRODUCTION

1.1 The Fire Authority's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

a) The Local Government Act 2003 (the Act) and supporting regulations require the Authority to "have regard to" the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice when setting Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

b) The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) which sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

c) Under the Act the Department for Levelling Up, Housing & Communities (DLUHC) has issued Investment Guidance to structure and regulate the Authority's investment activities.

1.2 The Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis and its treasury management practices demonstrate a low risk approach.

1.3 The Code requires the regular reporting of treasury management activities to:

a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report);
b) Review actual activity for the preceding year;
c) Review mid-year activity (this report); and
d) Report changes to our Strategy (when required)

1.4 This report sets out information on:

a) A summary of the strategy agreed for 2023/24 and the economic factors affecting the strategy in the first six months of this year;
b) The Fire Authority's treasury activity during the first six months on borrowing and short term investments.

2. ORIGINAL STRATEGY FOR 2023/24

2.1 At its meeting on 9 February 2023, the Fire Authority agreed its treasury management strategy for 2023/24 taking into account the economic scene, including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2023/24 as set out below.

2.2 East Sussex Fire Authority defines its treasury management activities as:

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

2.3 The Fire Authority regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

2.4 This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

3. BORROWING

3.1 The net borrowing requirement 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.

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

3.3 Treasury staff regularly review opportunity for debt rescheduling. Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

3.4 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).

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

4. <u>INVESTMENT</u>

4.1 When the strategy was agreed in February 2023, it emphasised the continued importance of taking account of the current and predicted future state of the financial sector. The Treasury Management advisors (Link Asset Services) commented on short term interest rates, the UK economy, inflation, the outlook for long term interest rates and these factors were taken into account when setting the strategy.

4.2 No Changes are proposed to the Investment Strategy for 2023/24.

4.3 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.

4.4 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 £3m have been placed in a Standard Chartered ESG product during 2023/24.

4.5 The strategy continued with the policy of pursuing minimum risk but was also intended to deliver secure investment income of at least bank rate on the Fire Authority’s cash balances.

4.6 The Strategy aimed to ensure that in the economic climate that a prudent approach was maintained. This would be achieved through investing with selected banks and funds which met the Authority's rating criteria. The emphasis would continue on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed) rather than yield. The strategy continued with this prudent approach.

5. INVESTMENT PERFORMANCE TO 30 SEPTEMBER 2023

5.1 The average Bank of England Base Rate during the period was 4.80%.

5.2 Base Rate increased three times during the six months by 1%, on the 30 September the rate was 5.25%.

5.3 The strategy for 2023/24 continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year.

5.4 The total amount received in short term interest for the six months to 30 September 2023 was £433,693. The performance is summarised in the table below and monitored quarterly.

Average Investment Balances £'000	Average Investment return	Average Bank rate	Difference
18,569	4.66%	4.80%	(0.14%)

5.5 Performance was slightly below the benchmark average bank rate in the same period. This is typical in a rising interest rate environment 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.

5.6 Investments held in liquidity accounts, e.g. Money Market Funds (MMF) have seen an uplift in return in conjunction with a rising Base Rate. This has helped overall performance in the first 6 months of the year. Funds are held in MMF's to meet the need of future cashflow requirements, on 30 September the average rate earned on those balances was 5.28%.

5.7 During the period the Authority placed a number of fixed term deposits with UK Banks, on a laddered maturity approach, to roll up the yield curve in a rising interest rate environment. Fixed term deposits have been placed with Goldman Sachs, NatWest and Standard Chartered Bank (ESG). For durations between 6 – 12 months, at rates between 4.82% - 5.91%.

5.8 Non specified longer duration investment options such as pooled property funds, short dated bond funds and mixed asset funds were not utilised in the period. The Fire Authority's strategy is monitored closely and has the flexibility to move into alternatives in the correct financial climate.

5.9 The investments held comply with our Treasury Management Strategy and the Fire Authority has continued to follow a prudent approach with security and liquidity as the main criteria before yield.

6. CURRENT BORROWING

6.1 No new PWLB borrowing has taken place since January 2008 and is unlikely in the immediate future, however in the short to medium term external borrowing will be required to fund the current capital programme.

6.2 The average interest rate of all debt on the 30 September 2023 (£9.6m) was 4.49%. Two PWLB loans matured in the period totalling £236k both on the 30 September, at rates of 4.875% and 5.75%. There is one further loan maturity for £164k on 31 December 2023 at an average rate of 4.875%.

6.3 Opportunities for cost effective repayment of existing debt and restructuring opportunities were constantly monitored but none emerged in the first six months of the year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

7. ECONOMIC PERFORMANCE TO DATE AND OUTLOOK (COMMENTARY SUPPLIED BY OUR ADVISORS LINK ASSET SERVICES). SEPTEMBER 2023.

7.1 The second quarter of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% month on month decline in real GDP in July, mainly due to more industrial action across certain sectors.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 year high.
- Cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).

7.2 As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

7.3 In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was “finely balanced”. Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.

7.4 Link Asset Services, has provided the following forecast as at 30 September 2023.

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.

7.5 The latest forecast sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

8. PRUDENTIAL INDICATORS AND LIMITS RELATING TO TREASURY MANAGEMENT ACTIVITIES

8.1 **The limits set for 2023/24**

The Strategy Report for 2023/24 set self-imposed prudential indicators and limits. There are on an annual basis and monitored. They comprise:

None of the limits has been exceeded in 2023/24 to date.

Prudential Indicator	Compliant
Capital Expenditure	Yes
Ratio of Financing Costs to Net Revenue Stream	Yes
Capital Financing Requirement (CFR)	Yes
Net external Borrowing compared to the medium term CFR	Yes
Upper limits for fixed interest rate exposure and variable interest rate exposure	Yes
Upper limit for total principal sums invested over 365 days	Yes
Actual External Debt	Yes
Authorised Limit for External Debt (see 8.3)	Yes
Operational Boundary for External Debt (see 8.3)	Yes
Maturity Structure of Fixed Rate Borrowing (see 8.8)	Yes
Maturity Structure of Investments (see 8.10)	Yes
Incremental Impact of Capital Investment Decisions	Yes
Adoption of the CIPFA Treasury Management Code (see 8.9)	Yes
Interest rate exposures (see 8.7)	Yes
Interest rate on long term borrowing	Yes
Interest on investments	Yes
Minimum Revenue Provision (see 8.11)	Yes

8.2 **Authorised limit for borrowing**

8.3 The table below sets out the actual 2022/23, original estimate and projected outturn in 2023/24 for borrowing.

	2022/23 Actual	2023/24 Original Estimate	2023/24 Projected Outturn
	£000	**£000**	**£000**
Opening CFR	**10,298**	**9,887**	**9,817**
Capital Investment	3,633	8,421	4,528
Sources of Finance	(3,702)	(5,432)	(4,535)
MRP	(412)	(514)	(393)
Movement in year	**(481)**	**2,475**	**(400)**
Closing CFR	**9,817**	**12,362**	**9,417**
less Finance Lease Liability	-	-	-
Underlying Borrowing Requirement	**9,817**	**12,362**	**9,417**
Actual Long Term Borrowing	**9,817**	**12,362**	**9,417**
Over / (Under) Borrowing	-	-	-
Operational Boundary	**11,166**	**13,600**	**13,600**
Authorised Limit	**13,555**	**15,000**	**15,000**

8.4 The Operational boundary for borrowing was based on the same estimates as the Authorised limit. It reflected directly the authorised borrowing limit estimate without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

8.5 The Authorised limit was consistent with the Fire Authority's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income. Risk analysis and risk management strategies were taken into account, as were plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

8.6 The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The estimated long term borrowing at 31 March 2024 of £9,417,000 is under the Authorised limit set for 2023/24 of £15,000,000.

8.7 **Interest rate exposure**

The Fire Authority's Prudential Indicator continued the practice of seeking competitive fixed interest rate exposure for borrowing, lending and a combined figure of borrowing and lending. No new borrowing undertaken and all lending at fixed rates.

Interest Rate Exposure	2023/24 Upper Limit	2024/25 Upper Limit	2025/26 Upper Limit
Limits on fixed interest rates based on net debt*	100%	100%	100%
Limits on variable interest rates based on net debt*	0%	0%	0%

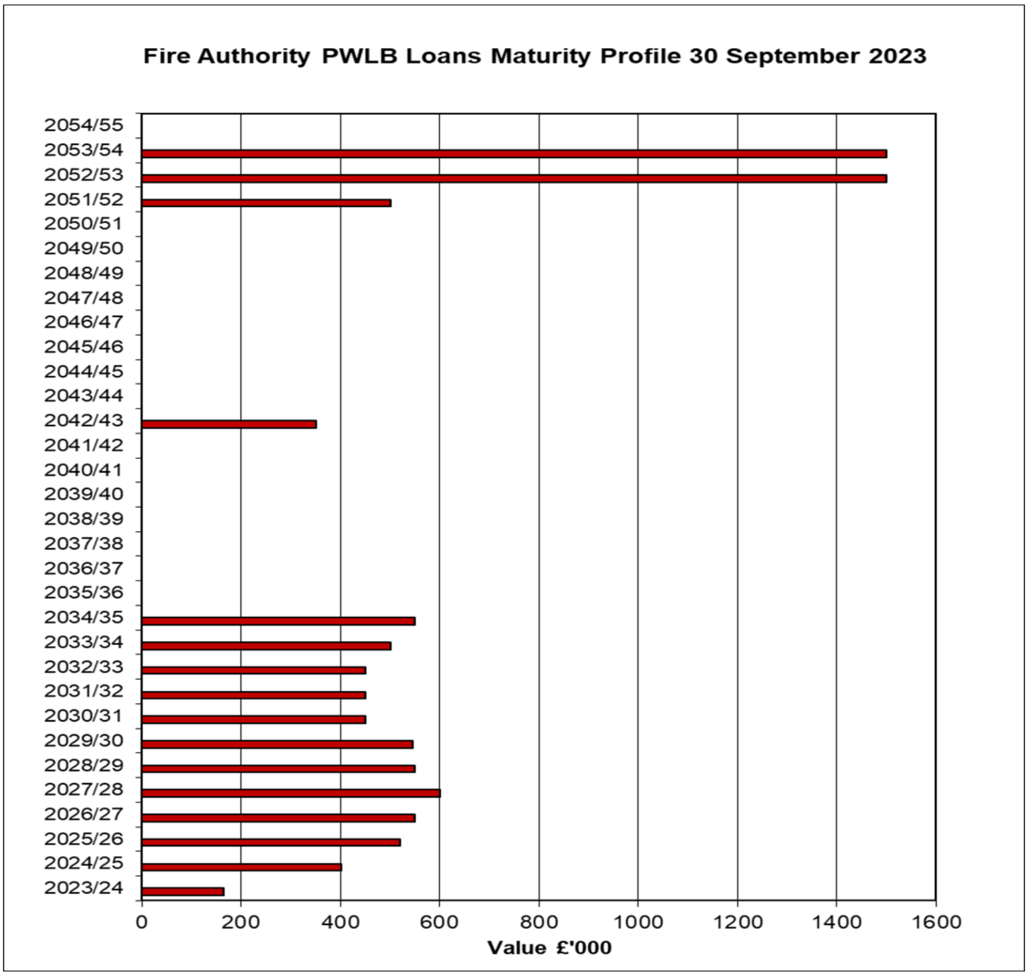
*Net debt is borrowings less investments

8.8 **Maturity structure of debt**

The Fire Authority set upper and lower limits for the maturity structure of its borrowings as follows.

	Estimated Lower Limit	Estimated Upper Limit	Current 30/09/23
Under 12 months	0%	25%	2%
12 months and within 24 months	0%	40%	8%
24 months and within 5 years	0%	60%	13%
5 years and within 10 years	0%	80%	26%
10 years and within 20 years	0%	80%	15%
20 years and within 30 years	0%	80%	21%
30 years and within 40 years	0%	80%	16%
Over 40 years	0%	80%	0%

Any new borrowing undertaken would give due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any future years when interest rates may be unfavourable. No new borrowing has been undertaken in 2023/24 to date. The following graph shows when the debt will mature.



8.9 **Compliance with the treasury management code of practice**

East Sussex Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. CIPFA published the revised Treasury and Prudential codes in December 2021. Full adoption of the new Codes is incorporated within this Strategy.

8.10 **Maturity structure of investments**

The Authority held investments from overnight to a 12 month fixed maturity profile. As of the 30 September the longest dated deposit held was with NatWest, this will mature in August 2024.

8.11 **Minimum Revenue Provision Statement**

The Fire Authority's Borrowing Need (the Capital Financing Requirement)

8.12 The prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the underlying borrowing need.

8.13 The Fire Authority approved the Capital Finance Requirement projections for 2023/24 in its Strategy approved in February. These are in the original estimate below:

	2022/23 Actual	2023/24 Original Estimate	2023/24 Projected Outturn
	£000	**£000**	**£000**
Opening CFR	10,298	9,887	9,817
Closing CFR	9,817	12,362	9,417
Movement in CFR	**(481)**	**2,475**	**(400)**
Movement in CFR represented by:			
Net financing	(69)	2,989	(7)
MRP	(412)	(514)	(393)
Movement in year	**(481)**	**2,475**	**(400)**

8.14 The Fire Authority is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge called the Minimum Revenue Provision (MRP), although it is also allowed to undertake additional voluntary payments.

8.15 The Authority sets aside a Minimum Revenue Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR. For any new borrowing the Asset Life Method will be used to calculate MRP.

8.16 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.

9. TREASURY MANAGEMENT ADVISORS

9.1 The Strategy for 2023/24 explained that the Fire Authority uses Link Asset Services as its treasury management consultant through the contract that exists with East Sussex County Council. The company has provided a range of services which have included:

a) Technical support on treasury matters, capital finance issues and advice on reporting;
b) Economic and interest rate analysis;
c) Debt services which includes advice on the timing of borrowing;
d) Debt rescheduling advice surrounding the existing portfolio;
e) Generic investment advice on interest rates, timing and investme instruments;
f) Credit ratings from the three main credit rating agencies and other mark information;
g) Assistance with training on treasury matters.

9.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Authority. This service remains subject to regular review.

9.3 Link is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market-leading treasury management service to their clients. The advice will continue to be monitored regularly to ensure an excellent level of service provided to the Authority.

10. CONCLUSION

10.1 The prime objective of Treasury Management is the effective management of risk and that its activities are undertaken in a prudent affordable and sustainable basis.

10.2 This report confirms the Authority has continued to follow a prudent approach with the main criteria of security and liquidity before yield. The current emphasis must continue to be able to react quickly if market conditions change.

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy and Resources Panel
Date	9 November 2023
Title of Report	Preston Circus - Request to Proceed to RIBA Stage 5- Contract Award, with approval for additional funding
By	Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Nicola Boruch, Interim Head of Estates

Background Papers	181101 Policy & Resources Panel_Agenda_PUBLIC.pdf (moderngov.co.uk) – Item 112 – Preston Circus Feasibility 230209 CFA Budget REPORT.pdf (moderngov.co.uk).

Appendices	Appendix 1: Internal Budget Summary Appendix 2: Morgan Sindall Stage 4 Cost Plan Summary

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Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT

To formally request approval to conclude RIBA Stage 4 by formalising the NEC Contract with Morgan Sindall and to proceed to RIBA Stage 5- Construction, which will require a budget uplift of £1.6m as set out below.

EXECUTIVE SUMMARY

Preston Circus is the Service's largest and busiest fire station. The Authority has previously approved a business case for the refurbishment of the station to ensure that it is fit for purpose and reflects the Authority's Design Guide. The Authority has identified this project as a priority for delivery, notwithstanding the need to review the affordability of the wider Estates Capital Programme in its current form.

The RIBA Stage 4 design and market costing process was completed in July 2023 and despite many iterations of alternative plans it was concluded that in order to achieve the key objectives of the brief, as set out in the Design Guide, the project could not be delivered within the original budget envelope.

To meet these objectives, primarily to provide individual temperature-controlled sleeping pods plus meet the Design Guide recommendations regarding management of contaminants and gender appropriate welfare facilities an additional £1.6m of funding is required.

This approach was supported by the Senior Leadership Team on 18th October 2023.

It is possible that the project can be delivered with an underspend against this increased budget if the station is able to be fully decanted. Work to assess options to achieve this is ongoing.

RECOMMENDATION

The Policy and Resources Panel is recommended to note:

(i) That ‘Scope A’ issued in the Morgan Sindall Stage 4 pack meets the brief as set out on the Design Guide and has been signed off by the Preston Circus Steering Group;

(ii) That the revised scheme removes the provision of a dedicated entrance and lift to the 2nd floor and the fitting out of surplus space but retains the potential to deliver this at a later date;

(iii) That the programme duration for the works can be reduced by approximately 6 months if the station is fully decanted, which will also reduce costs;

(iv) That a formal proposal regarding decant options will be brought back to SLT for decision in due course;

(v) The revenue consequences of the proposed increase in the scheme budget and that this be considered in the wider context of review of the Estates Capital Programme including affordability that will be carried out in 2024/25 as part of the review of the Estates Strategy.

and approve:

(vi) a variation to the Capital Programme to increase the scheme budget for Preston Circus from £3.346m to £4.946m and that the budget be reprofiled as set out in para 6.1.

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1. BACKGROUND AND PROGRESS TO DATE

1.1 Preston Circus was built in 1938 and although refurbished in parts since then much of the internal fabric and infrastructure has reached or exceeded end of life and the sleeping accommodation and internal routes do not meet the required Design Guide standards. Previous option appraisals have determined a preference to retain and invest in the current station.

The project scope and budget were established in 2018 and reached RIBA Stage 2 in the spring of 2020, by which time the second floor had been stripped back to Cat B (internal partitions, furniture and fittings removed) and taken out of use, in readiness for a phased approach to the refurbishment. A strategy to decant the station was also developed with site visits to Dyke Road Barracks undertaken.

From 2020 progress was hampered by the Covid Pandemic and then impacted by a year’s hiatus whilst a managed approach for the safe exit of appliances was agreed. A full decant was also discounted in the main due to the high costs of installing a dedicated IT infrastructure and necessary accommodation / welfare facilities to the site at Dyke Road.

The main contractor, Morgan Sindall was appointed in April 2022 under the SCAPE framework and under their Pre-Contract Services Agreement developed the scheme through RIBA Stages 3 and 4, with the latter stage being market tested.

The Stage 4 costs presented in Spring 2023 were significantly over budget and there followed a series of redesigns to attempt to reduce the pressure on the agreed scheme budget.

By July 2023, in collaboration with the station and watch managers and the main contractor Estates recommended a scheme that offered best value for money but also met the core objectives of the Design Guide.

This scheme, known as Scope A, was priced at £3.9m by Morgan Sindall who also advised that if the station could be fully decanted the market would react favourably and the significant savings in programme would benefit the costs by c.£0.3m. This scheme was known as Scope B.

A further scheme, Scope C, was put forward for high level costing that involved reducing scope to the third, second and basement floors. However this would have limited the ability to install a lift and create a dedicated entrance to the second floor in the future and provided a less than optimum internal flow between sleeping and welfare spaces. The costs savings were negligible and on that basis the scheme was discounted.

The costs for these 3 options were presented verbally to SLT for awareness in July this year to allow time for the costs to be finalised as set out below.

2. BUDGET UPLIFT REQUEST

2.1 Estates recommend that the Service progress with Scope A which will require an additional budget of £1.6m as, summarised below. The breakdown notes the original budget, subsequent uplifts and spend to date, plus the confirmed costs for delivering Scope A and the potential cost benefit of works being undertaken without the service in occupation.

Spend to date plus remaining client direct costs have been updated and a Client held risk allowance of £0.21m included.

Morgan Sindall's summary cost plan is included in Appendix 2, and the internal cost plan summary in Appendix 1.

	Programme A	**Programme B**
Programme Duration/ weeks	44	26
Budget	**£'000**	**£'000**
Original Budget	3,137	3,137
Additional Funding allocation (SLT Dec 2021)	150	150
Sleeping Pod Budget (P&R May 2022)	59	59
Current Project Budget	**3,346**	**3,346**
Direct Costs		
Actual spend to 31/03/2023	392	392
Forecast remaining Direct Costs	430	430
Total Direct Costs	**822**	**822**
Contract Costs		
RIBA Stage 4 Cost plan	3,884	3,550
Risk Allowance	30	30
Internal PM Costs	see above	see above
Client Risk Allowance	210	210
Total Contract Costs (Excl. VAT)	**4,124**	**3,790**
Total Project Forecast (Excl. VAT)	**4,946**	**4,612**
Delta	**1,600**	**1,266**
Additional funding request	**1,600**	

3. DECANT STRATEGY

3.1 A Task and Finish Group was established in July to ascertain the most viable way to achieve a full station decant. To date the group has agreed that this is possible with 2 options looking most favourable; a split crewing model with Papa 1 remaining based at a new city centre location and other appliances relocated to Hove; and a full crewing model with all appliances being relocated to a new city centre site.

3.2 To date the Quebec Barracks site on Dyke Road would allow us to continue to meet response times and we await formal approval from their landlords to allow us to sub-let.

3.3 We will continue to conclude this T&F Group with a view to presenting the recommended Decant Strategy to November SLT.

4. DELIVERY PROGRAMME

4.1 In order to maintain momentum and achieve the summary programme below this paper and the formal request for additional funds has been brought to this Panel meeting.

This would allow the construction contracts to be signed in December and works to commence in January 2024, and assuming a worst-case programme duration, conclude in December 2024.

If the full decant can be achieved the duration of works will reduce to 26 weeks.

Preston Circus Fire Station	**1137 days**	**06/07/20**	**03/01/25**
Design Guide	**1137 days**	**06/07/20**	**03/01/25**
Stage 2+ kick off meeting	0 days	31/01/22	31/01/22
Stage 2 concept design	9 wks	31/01/22	01/04/22
Stage 3 detailed design	15 wks	04/04/22	15/07/22
Planning application	15 wks	08/08/22	18/11/22
Procurement of main contractor through Scape	11 wks	04/04/22	17/06/22
Feasibility review of current design	15 wks	20/06/22	30/09/22
Stage 3 Review and Approval to Proceed through Scape	63 days	03/10/22	11/01/23
Stage 4 Design (inc surveys)	13 wks	12/01/23	12/04/23
Contractor packages of work to be tendered	8 wks	13/04/23	07/06/23
Stage 4 Costings Review and further VE	9 wks	08/06/23	09/08/23
Confirm additional funding request	7 wks	10/08/23	27/09/23
Decant Options Review	9 wks	24/07/23	22/09/23
Confirm additional funding request	4 wks	06/07/20	31/07/20
Prep SLT Papers	2 wks	28/09/23	11/10/23
Oct SLT 18/10	1 wk	12/10/23	18/10/23
Nov P&R 9/11	3 wks	19/10/23	08/11/23
Approval to proceed	1 wk	09/11/23	15/11/23
Stage 5 Contract Award	4 wks	16/11/23	13/12/23
Enact Decant	4 wks	08/01/24	02/02/24
Stage 5 Mobilisation	4 wks	08/01/24	02/02/24
Stage 5 Construction	44 wks	05/02/24	06/12/24
RIBA Stage 6 Handover and Reoccupy	4 wks	09/12/24	03/01/25

5. RISK

5.1 The risk of further inflation to the contractor costs has been mitigated through confirmation with the supply chain through Morgan Sindall that prices are now fixed, assuming a January 2024 start date. A small allowance has been included to cover any further delay, assumed worst case to be 3 months. The contract is Design and Build and is fixed price.

All consultant fees and client direct costs have been updated to October 2023 prices and reflect the stated contract value.

A Client held risk allowance has been included to cover any unknowns and will be held until project completion.

We await costings from Quebec Barracks in order to finalise the decant costs. These costs need to be less than £0.3m to make the decant viable.

6. FINANCIAL APPRAISAL

6.1 Capital and Revenue 5 Year Model

	Actual Spend	Forecast	Forecast	Forecast	Forecast	5 Year Total
	2022/23	2023/24	2024/25	2025/26	2026/27	
	£'000	£'000	£'000	£'000	£'000	£'000
Current Project Budget	392	245	2,709			**3,346**
Additional Funding Request			441	1,159		**1,600**
Total Project Forecast	**392**	**245**	**3,150**	**1,159**	**-**	**4,946**
Minimum Revenue Provision				18	64	**148**
Interest Charge			11	47	73	**176**
Total Revenue Forecast	**-**	**-**	**11**	**65**	**137**	**324**

6.2 Financial Assumptions

The above table presents the capital and revenue implications of the additional request for funding.

The request for an additional £1.6m to complete the project will require additional borrowing in both 2024/25 and 2025/26.

Interest charges are based on current Link Group Ltd projected rates at September 2023 for the dates 01/10/2024 (4.9%) and 01/04/2025 (4.4%). A minimum revenue provision will be made based on the 25-year term (4% annually) of the total capital value.

The on-going revenue costs associated with the additional budget requirement are £11,000 in 2024/25, increasing to £137,000 by 2026/27. All other things being equal this will result in an additional pressure on the revenue budget on an ongoing basis, at least for the period for which additional borrowing is taken out.

6.3 Future Financial Implications

A review of the Estates capital programme will be concluded in 2024/25 which will determine what total pressure exists, including the above additional funding for Preston Circus, and how this might be mitigated during the remaining term of the programme.

6.4 The capital programme will be reviewed as part of the 2024/25 budget setting process to understand the cost of MRP and interest over the 5 year programme.

7. NEXT STEPS

7.1 Upon approval of this paper to endorse the contracts in December 2023 and commerce works in January 2024.

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	Programme A	Programme B	
	3,883,816.71	3,549,535.31	
Programme Duration/ weeks	44	26	
Budget	**£'000**	**£'000**	
Original Budget	3,137	3,137	
Additional Funding allocation (SLT Dec 2021)	150	150	
Sleeping Pod Budget (P&R May 2022)	59	59	
Current Project Budget	**3,346**	**3,346**	
Direct Costs			
Actual spend to 31/03/2023	392	392	
Forecast remaining Direct Costs	430	430	See breakdown below
Total Direct Costs	**822**	**822**	
Contract Costs			
RIBA Stage 4 Cost plan	3,884	3,550	
Risk Allowance	30	30	Negotiation on extend PSA fee
Internal PM Costs	see above	see above	
Client Risk Allowance	210	210	Ensure all costs for Pre contract works and fees to date have been allowed for
Total Contract Costs (Excl. VAT)	**4,124**	**3,790**	
Total Project Forecast (Excl. VAT)	**4,946**	**4,612**	
Delta	**1,600**	**1,266**	334281.4 Delta between scope A and B, which excludes decant costs
Additional funding request	**1,600**		

		As of July	Scope A, prog A (44 weeks)		
	Client Direct Costs	**Cost £**	**Cost £**	Paid since Jul 23	
1	Asbestos Removals	14,990	3,000	14990	Additional £3k for MS to remove remaining
2	FF&E	20,000	20,000		Allowance
3	IT		-		n/a as advised
4	Internal Costs- Mark McCorkell	62,217	80,000		
5	Internal Costs- N Boruch	13,500	15,000		
6	Internal Costs- Surveyor support	3,825	10,000		
7	Internal Costs-		-		
8	UKPN Works	22,389	26,389		Uplifted by £4k as per Sept ESDB approval
9 (a)	Stay in situ enabling works	35,000			Not required
9 (b)	Hove/Roedean Enabling costs for decant	15,000			Total decant costs TBC
10	FBR Fees to complete	73,000	124,500		
10 (a)	Supervisor role		85,000		
11	Mackellar's fees to complete	37,000	44,000		
12	*Not used*		-		n/a as advised
13	Other fees- allowance	20,000	20,000		
14	Contingency- 10% of construction value	-			
			-		
15	Sub Total	**316,921**	**427,889**		

Appendix 1

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SUMMARY OF QUOTES - 93CA12 - PRESTON CIRCUS FIRE STATION

No.	Package	Sub-Contractor cost Based on Scope A Programme B - 26 weeks Total £		Scope A - Programme A - 44 Weeks Total £	Scope A - Progarmme B - 26 Weeks Total £	£ Difference between Programme A - B Total £	Comments
1	**Scaffolding**	Amber Scaffolding		**Amber Scaffolding**	**Amber Scaffolding**		
		39,481.06		**49,027**	**39,481**	**-9,546**	
2	**Door Supply**	Ahmarra	-	**Ahmarra**	**Ahmarra**		
		57,085.01		**61,384**	**57,085**	**-4,299**	
3	**Carpentry**	Jack Rafter		**Jack Rafter**	**Jack Rafter**		
		116,719.31		**120,789**	**116,719**	**-4,070**	
4	**MEP**	Bexhill Electrical		**Bexhill Electrical**	**Bexhill Electrical**		
		1,744,281.70		**1,826,057**	**1,744,282**	**-81,776**	
5	**Glazing**	Prima Systems (South East) Limited		**Prima Systems (South East) Limited**	**Prima Systems (South East) Limited**		
		80,885.43		**81,088**	**80,885**	**-202**	
6	**Groundworks**	The Shore Group		**The Shore Group**	**The Shore Group**		
		62,310.00		**73,291**	**62,310**	**-10,981**	
7	**Lifts**	N/A		**Lifts**	**N/A**		
		-		**0**	**0**	**0**	
8	**Demo**	Metrix		**Metrix**	**Metrix**		
		166,386.36		**170,581**	**166,386**	**-4,194**	
9	**Decoration**	Metrix		**Metrix**	**Metrix**		
		123,379.68		**127,722**	**123,380**	**-4,343**	
10	**Partitioning & Ceilings**	Metrix		**Metrix**	**Metrix**		
		189,678.52		**189,679**	**189,679**	**0**	
11	**Flooring & Screed**	Extreme Flooring		**Extreme Flooring**	**Extreme Flooring**		
		76,553.78		**76,745**	**76,554**	**-191**	
12	**Brickwork / Blockwork**	Metrix		**Metrix**	**Metrix**		
		43,648.64		**45,997**	**43,649**	**-2,348**	
13	**Steelwork**	BUDGET		**BUDGET**	**BUDGET**		
		75,000.00		**75,000**	**75,000**	**0**	
14	**Steel Kitchen**	Steelplan Kitchens		**Steelplan Kitchens**	**Steelplan Kitchens**		
		35,387.89		**35,388**	**35,388**	**0**	
15	**Roof**	BUDGET		**BUDGET**	**BUDGET**		
		110,000.00		**110,000**	**110,000**	**0**	
	Packages Total			**3,042,748.39**	**2,920,797.37**	**-121,951.02**	
		Construction Phase (RIBA Stage 5-7)					
		Architect		16,435.00	16,435.00	0.00	
		C&S		7,550.00	7,550.00	0.00	
		MEP		12,350.00	12,350.00	0.00	
		Acoustician		1,300.00	1,300.00	0.00	
		Building Control		5,000.00	5,000.00	0.00	
		Fire Engineering		7,560.00	7,560.00	0.00	
	Morgan Sindall Prelims			415,887.38	282,891.13	-132,996.25	
	MSC Design Management Fee			11,795.04	11,795.04	0.00	***6.13%***
	MSC Contingency			76,068.71	73,019.93	-3,048.78	***2.50%***
	Inflation Allwoance			53,950.42	50,080.48	-3,869.94	
	Design Risk			42,044.50	38,305.00	-3,739.50	
	OH&P			79,127.28	73,451.37	-5,675.91	***2.20%***
	Provisional Sums			112,000.00	49,000.00	-63,000.00	
	TOTAL CONSTRUCTION COST			3,883,816.71	3,549,535.31	-334,281.40	

NOTE: Excludes all PCSA costs & fees for period to June 2023 and extended PCSA period to December 2023

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EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy & Resources Panel
Date	9 November 2023
Title of Report	East Sussex Business Rate Pool
By	Duncan Savage, Assistant Director Resources / Treasurer
Lead Officer	Duncan Savage, Assistant Director Resources / Treasurer

Background Papers	Fire Authority 11 September 2014 – Item 805 – Business Rate Pooling Urgency Panel 24 October 2017 – Item 13 – Business Rate Pooling Policy & Resources Panel 11 November 2021 – Item 17 – East Sussex Business Rate Pool

Appendices	None

Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT

To seek approval to continue to participate in the East Sussex Business Rates Pool

EXECUTIVE SUMMARY

The County Council, the five Districts and Boroughs and the Fire Authority have operated the East Sussex Business Rates Pool during 2015/16 and 2016/17. They de-pooled in 2017/18 due to the risks associated with the revaluation of business rates properties and knock on effects of business rates appeals. The Pool was re-established in 2018/19 and has continued operating through to 2023/24. During 2019/20 only it became a Business Rate Pilot.

The Chief Finance Officers of the Pool Members have reviewed the position for 2024/25 and building on analysis provided by Local Government Futures and consideration of the performance of and risks associated with the Pool have applied to DLUHC to continue the Pool in 2024/25. The deadline for this application was at short notice in October 2023 and it was not possible to seek prior Member approval.

Formal approval of the Pool application will be announced as part of the Provisional Local Government Finance Settlement (LGFS) expected in late December. Any authority can withdraw from a Pool during the consultation period for the Provisional LGFS (normally four weeks), but this would result in the whole Pool ceasing to operate. It is likely that the consultation period will end before the Policy & Resources Panel meeting on 18 January 2024 and thus this report recommends that delegated authority is granted to the Assistant Director Resources / Treasurer, after consultation with the Chairman and the Chief Fire Officer, to make the final decision on Pool membership.

The Pool will be governed under the existing Pooling Agreement, key elements of which include:

- Appointing a lead authority (Wealden District Council)

- Resources gained on the basis of the levy amount that was saved by individual authorities be split as follows: 40% to ESCC, 10% to the Fire Authority and the remaining 50% split amongst the District/Borough Councils

- Pool Members should be no worse off than if they were outside the Pool.

The rationale for the Pool is to encourage economic growth therefore Pool Members are encouraged to use the additional resource to promote further economic growth. Pools allow local areas to retain a greater proportion (50%) of the growth in income from business rates that would otherwise have been paid over to HM Treasury.

Whilst the Districts and Boroughs have put in place measures to offset the risk of business rates yield reductions, there remains the risk that any pool could make a loss and the Authority needs to ensure it has sufficient provision in its reserves and balances to cover its share in this eventuality. Any Pool loss would be shared in the same proportions as any gains and therefore the Authority’s share would be 10%.

The Pool has succeeded in retaining significant additional funding within East Sussex. The Authority’s share of the Pool gains for the last three years has been £0.423m (2020/21), £0.415m (2021/22) and £0.326m (2022/23). Actual payment of these amounts has been delayed due to the backlog in external audits of the billing authorities accounts. The Authority has used this funding to support local businesses through its protection activities and to supplement the Government's investment through the Protection Uplift Grant.

RECOMMENDATION

The Panel is recommended to:

(i) approve the Authority's continued membership of the East Sussex Business Rates Pool;

(ii) delegate the final decision on whether to participate in the Pool to the Assistant Director Resources / Treasurer after consultation with the Chairman and the Chief Fire Officer; and

(iii) authorise the Assistant Director Resources/Treasurer to take any steps necessary to give effect to the decision in (ii) above.

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EAST SUSSEX FIRE AUTHORITY

Panel	Policy & Resources Panel
Date	9 November 2023
Title of Report	Firefighters' Pension Schemes (FPS) Age Discrimination, Remedy & Immediate Detriment Briefing Note
By	Julie King, Assistant Director People Services
Lead Officer	John Olliver, Payroll, Pensions and HR Assurance Manager

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Background Papers	East Sussex Fire Authority – Firefighters pension scheme's remedy & immediate Detriment further briefing note May 2021 Firefighters' Pension Schemes (FPS) Age Discrimination, Remedy and Immediate Detriment Briefing Note and Update – SLT 25 March 2021 Item 8

Appendices	None

Implications (please tick ✓ and attach to report)

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

PURPOSE OF REPORT: The purpose of this report is to present an update on the situation relating to McCloud/Sargeant judgement on Age Discrimination and the on-going process of correcting pension scheme members records and payments, known as Remedy, that came into force on the 1st October 2023.

EXECUTIVE SUMMARY: This report is to inform the P&R Panel on the current position East Sussex Fire & Rescue Authority with regard to Age Discrimination and Cases in the Firefighters' Pension Schemes.

RECOMMENDATION: The Policy & Resources Panel is asked to note the content of this report.

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1. AGE DISCRIMINATION REMEDY FOLLOWING THE MCCLOUD SARGEANT EMPLOYMENT TRIBUNAL

1.1 In December 2019, the Courts ruled that the introduction of the Fire Pension Scheme 2015 discriminated against younger scheme members as those closer to retirement were permitted to extend their membership to the legacy schemes.

1.2 The legislation that all Fire Services require to reposition the pensions for those affected by the discrimination come into force from 1st October 2023.

1.3 The guidance for Fire Services and Pension Administrators has also been provided from the Home Office and LGA.

1.4 Over the past 8 months the ESFRS pensions team has been working solidly to populate the earnings and contributions template provided by West Yorkshire Pension Fund (WYPF). This was completed and passed to WYPF before the end August 2023.

1.5 WYPF will be working through this template in the months to come in their efforts to resolve all pension members who have been affected by age discrimination.

1.6 During September 2023, WYPF have also written to all affected members to recognise those in the process and offer reassurance that they are included in the process and let them know what they should expect to happen.

1.7 An internal communication (via Service Brief) was published on 22nd September. A copy of which can be found at appendix 2. This was designed to keep FPS members up to date with the process.

1.8 The guidance has set out a priority for the application of Remedy which allows pension administrators to resolve cases in a consistent way.

1.9 First on the list will be new retirees. Every case will be presented with choices to retire under either legacy or FPS2015 schemes. This comes into effect from 1st October when it will be all FRA's legal requirement to process retirees in this way.

1.10 Next will be those who have already retired since 2015, starting from the most recent retirees.

1.11 Finally, will be all other current pension scheme members. This will ultimately deliver revised annual benefit statements displaying members choices of what they would expect to receive.

1.12 The legislation allows approximately 18 months for pension scheme manager to complete although our understanding that 1.10 will be addressed as soon as possible as this group are likely to be financially impacted.

2. PENSION SCHEME MEMBERS EFFECTED BY AGE DISCRIMINATION REMEDY

2.1 The table below displays the numbers of cases where members have been affected by age discrimination and will all ultimately receive a Remedial Service Statement (RSS) from WYPF.

2.2

Remedy Cases Analysis

Retirees

Ill Heath Retirements and Deaths in Service			
	Fully Protected	5	
	Under Immediate Detriment	2	
	Not Fully Protected	10	*
Other Retirements			
	Fully Protected	82	
	Under Immediate Detriment	2	
	Not Fully Protected	34	**
Deferred Leavers		185	

* = Highest Priority
** = High Priority

Current Members

Legacy FPS 1992		
Fully Protected	8	
Taper Protection	34	
Not Protected	103	
Legacy FPS 2006		
Fully Protected	2	
Taper Protection	23	
Not Protected	83	
Total Cases	**573**	

2.3 As described in Section 1, there is a prescribed order that these cases must be addressed. I have marked the most pressing cases that are to be taken forward first.

These individuals are receiving pension benefits that are likely to be lower than those that will be offered to them on their RSS's. The retirees' retirement lump sums will also have been affected in a similar way.

Members who have been tapered into the FPS 2015 at different times, dependent on their ages, will have been affected by a range of financial impacts. Those who were closest to retirement age may only need a few months of pension membership to be adjusted whereas those younger members who retired may have 7 years of benefits to be added.

The Local Government Association has provided the timetable below:

Local Government Association

IC cohort timetabling

October 2023 to March 2024 (Priority)

- Ill-health retirements (including re-assessments)
- Death in service beneficiaries

October 2023 to May 2024

- Ill-health retirement beneficiaries
- Unprotected and taper protected beneficiaries

October 2023 to November 2024 (Largest cohort)

- Unprotected and taper protected pensioners

January 2024 to July 2024

- Contingent decision (opt out)

3. <u>POTENTIAL NEW RETIREES</u>

3.1 Throughout the age discrimination process we have been reporting that the service has a number of employees that were able to retire before the legislation came into effect.

Of the 64 cases who originally formed this group, the 42 residual employees can be categorised as shown below:

- 2 Scheme members whose earliest date of retirement is before 1 April 2022, are over 50 years old and will have more than 25 years pensionable service and will also attain 30 years of service before October 2023.
- 1 Scheme member who has more than 25 years pensionable service and will reach the age of 55 before October 2023.
- 9 Scheme members whose earliest date of retirement is before October 2023 and are over 55 years old by that date.
- 30 Scheme members whose earliest date of retirement is before October 2023 and are over 50 years old and over 25 years pensionable by that date.

3.2 There was a general expectation that once remedy was in place that significant numbers of the employees would choose to retire. However, this has not been the case as only one new retirement application has been received to date.

4. <u>FINANCIAL IMPLICATIONS</u>

Those individuals who have had to wait for their improved legacy scheme benefits, will be allowed compensation in the form of interest. The Government Actuaries Department (GAD) have provided all FRA's with a calculator to assist this process which automatically offsets unpaid pension contributions with unpaid benefits and makes an adjustment for income tax.

It is not possible at this stage to provide the actual costs associated with the compensation payments as these will be reliant on the timings that cases are resolved on a case by case basis.

It is still anticipated that the costs associated with the administration of the remedy will be borne by FRAs whilst monies owed to members will be met by government.

The Sector continues to lobby Government to fully fund these additional costs and any further updates will be provided to the P&R panel.

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