Public Document Pack

Fire Authority
8 February 2024

Membership:

Councillors: Galley (Chairman), Lambert (Vice-Chair), Asaduzzaman, Azad, Dowling, Evans, Geary, Goddard, Maples, Marlow-Eastwood, Muten, Osborne, Redstone, Scott, Shing, Theobald, Ungar and West

You are requested to attend this meeting to be held in the Council Chamber, Brighton Town Hall, Bartholomew Square, Brighton BN1 1JW at 10.30 am

Quorum: 6

Contact:	Abigail Blanshard 07950 877168, democraticservices@esfrs.org

Agenda

242. 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.

243. Apologies for Absence

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

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

245. To consider any public questions

246. To receive any petitions

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

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

7 December 2024

248. Callover

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

249. Fire Authority Service Planning processes for 2024/25 and beyond - Revenue Budget 2024/25 and Capital Asset Strategy 2024/25 to 2028/29 **13 - 70**

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

250. Treasury Management Strategy 2024/25 **71 - 104**

Report of the Assistant Director Resources/Treasurer

251. Annual Pay Policy Statement 2024/25 **105 - 116**

Report of the Assistant Director People Services

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

Date of Publication: 31 January 2024

Information for the public

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

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FIRE AUTHORITY

Minutes of the meeting of the FIRE AUTHORITY held at Council Chamber, County Hall, East Sussex County Council, St Anne's Crescent, Lewes at 10.30 am on Thursday, 7 December 2023.

Present: Councillors Galley (Chairman), Lambert (Vice-Chair), Asaduzzaman, Azad, Dowling, Evans, Geary, Goddard, Maples, Marlow-Eastwood, Muten, Osborne, Redstone, Scott, Shing, Theobald and West

Also present: D Whittaker (Chief Fire Officer & Chief Executive), D Norris (Deputy Chief Fire Officer), M Matthews (Assistant Chief Fire Officer), A Ghebre-Ghiorghis (Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Woodley (Deputy Monitoring Officer), H Scott-Youldon (Assistant Director Operational Support & Resilience), A Avery (Finance Manager), N Boruch (Interim Estates Manager), V Waters and A Blanshard (Democratic Services Manager)

169 Declarations of Interest

There were none.

170 Apologies for Absence

Apologies had been received from Councillor Ungar.

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

The Chairman welcomed Councillor Stephen Shing to his first meeting since being appointed to the Fire Authority in October.

172 To consider any public questions

There were none.

173 To receive any petitions

There were none.

174 Non-confidential Minutes of the Previous Meeting

RESOLVED – That the minutes of the meeting held on 7 September 2023 be approved and signed by the Chairman.

175 Callover

Members reserved the following items for debate:

239 Provision of Monitoring Officer, Deputy Monitoring Officer & Legal Services

240 2024/25 to 2028/29 Strategic Planning and Medium Term Financial Plan

241 Integrated Transport Function – Fort Road Site, Newhaven

176 Provision of Monitoring Officer, Deputy Monitoring Officer & Legal Services

The Monitoring Officer and Deputy Monitoring Officer left the meeting for the duration of this agenda item.

The Fire Authority considered the report of the Assistant Director Resources/Treasurer (ADR/T) presenting Members with the arrangements for the provision of legal services and Monitoring Officer support from 1 April 2024. The current legal services collaboration between the Fire Authority and Brighton & Hove City Council (B&HCC) was due to expire on 31 March 2024. The Authority had already exercised its right to a two-year extension provided for within the collaboration agreement which had commenced 1 April 2019. As the Fire Authority was responsible for the appointment of the Monitoring Officer and Deputy Monitoring Officer the report included the current position and recommended a course of action which suited business need and secured best value.

There was some discussion about what the primary job of the Monitoring Officer (MO) was, whether there had been any incidents or problems, and why the report had gone straight to the Fire Authority rather than to one of its panels. Members also queried why other alternatives were not set out in more detail in the report. The Monitoring Officer was the chief legal advisor to the Fire Authority and the Senior Leadership Team and the role was a statutory function as set out in the Fire Authority's Combination Order. Historically, since the creation of the Fire Authority in 1997, this function has been provided to the Fire Authority by Brighton & Hove City Council as part of the split between constituent authorities, with East Sussex County Council providing support through its financial services team & internal audit. The Deputy Monitoring Officer was appointed by the MO and contracted to East Sussex Fire & Rescue Service for 2 days a week, providing a wide range of legal support including prosecutions, and support for governance matters. The Service also bought into a wider legal provision from B&HCC, this was very responsive was cost effective in terms of benchmarking. There were regular meetings with Solicitors, and flexible, 24h access to support and specialist law advice available when required. Any issues with the service had a means of escalation and were dealt with promptly. It was felt by Officers that the service provided by B&HCC was exceptional, the MO and DMO were present at all meetings and briefings as well as providing support to the Service that was over and above that which was contracted.

The ADR/T confirmed that this report did not need to be presented to either of the Panels as the decision was reserved to the Fire Authority and not delegated, as it included the appointment of the Monitoring Officer.

Members were clear that in future they would prefer this report to contain more detail on the other models and any collaboration opportunities and clearly articulate the other options that had been considered to allow Members to make a more informed decision. Officers noted this request and would ensure that in future reports more detail on options and alternatives considered would be included.

RESOLVED – The Fire Authority agreed:

i. that the Monitoring Officer of Brighton & Hove City Council continue to be the appointed Monitoring Officer for the Authority;

ii. that the provision of Legal Services, Monitoring Officer appointment and deputising arrangements are to be provided by Brighton & Hove City Council for a three-year period with the option to extend for a further two years;

iii. to delegate authority to the Assistant Director Resources/Treasurer to agree the detail of the new agreement with Brighton & Hove City Council; and

iv. to note that, in accordance with the Authority's Procurement Standing Order (PSO) 4.1, the Treasurer, after consultation with the Monitoring Officer, Procurement Manager and Chairman, has approved a waiver of PSO 2.7.

177 2024/25 to 2028/29 Strategic Planning and Medium Term Financial Plan

The Fire Authority considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided Members with an update on the Authority's financial planning position in advance of the receipt of the Provisional Local Government Finance Settlement (LGFS) for 2024/25 and the submission of budget proposals and a refreshed Medium Term Finance Plan (MTFP) to the Fire Authority at its meeting in February 2024. The ADR/T explained that this report provided an update on the position since September and that there had been a number of changes since the report was written. The Senior Leadership Team (SLT) had met on 28 November 2023 to discuss a number of proposals that could allow a balanced budget to be set. This was reflected in the body of the report and included the requirement to take all the savings set out in Tranches 1-4 in order to reach a balanced budget.

There remained significant financial uncertainty due to another 1-year settlement and a Parliamentary General Election in 2024 with no party indicating that there would be increased investment in the Fire Sector. There was a risk that even a May 2024 election would not leave sufficient time to carry out a Comprehensive Spending Review and this could result in a further one year settlement for 2025/26. A significant proportion of the savings and flexibilities being considered were one-offs and would be presented to the January meeting of the Policy & Resources Panel before a final decision being taken by the Fire Authority at its meeting on 8 February 2024. The ADR/T reminded Members that the lower levels of reserves meant that there was less financial flexibility and it was important that there was a realistic reduction in ambition and acceptance of what could be achieved in the current financial climate. The settlement figures were not due until 19 December 2023, but the Government had published a revised Local Government Funding Policy Statement which confirmed the Council Tax referendum principles. It was disappointing that despite presenting a strong case for additional council tax flexibility of £5, the fire sector had only been allowed a maximum of 3%. This was particularly key for ESFRS as 70% of its funding was collected through Council Tax. There would also be some impact following Rother District Council's proposal to introduce a 100% discount through its Local Council Tax Reduction Scheme, this would equate to a reduction in funding of £40,000 for ESFRS which may be offset in part if Rother adopts additional flexibilities regarding empty homes offered within the Levelling Up and Regeneration Act 2023. In response to questions from Members the ADR/T confirmed that some other Local Authorities in the area had already agreed to introduce the Levelling Up and Regeneration Act flexibilities but some had not and may yet decide to do so.

Members thanked the ADR/T for a comprehensive report and expressed their concerns resulting from the decision not to grant the fire sector additional Council Tax flexibility which the Authority had lobbied strongly for. Members discussed the impact of raising Council Tax on local council tax payers given the current financial situation but recognised that in the absence of a sustainable financial settlement from government then increasing council tax was the only way to protect local services. The Fire Authority agreed that they faced some difficult decisions but thanked officers for being innovative in their approach to savings options and working so hard to balance the budget. Members had a lengthy discussion during which many concerns for future funding, and the expectation on the Service to perform more for less money were aired. These included concerns around the Service being able to plan properly when in receipt of 1-year settlements and that the Government need to address this manner of local government funding. Members were also frustrated at the lack of continuity in central Government, repeated changes of Ministers meant that the lobbying work being undertaken on behalf of the Fire Authority was more challenging than it should have been.

Members asked the ADR/T to explain what the consequences would be of reserves dropping below the Fire Authority's agreed minimum level of 5%. The ADR/T explained that as reserves reduced then so too would the Authority's flexibility. Reserve levels were benchmarked and up until this point the Authority's reserves had been around the average, but they had been reducing significantly and at speed as they had been used to fund agreed investment in IT, Estates and Fleet and to balance the current year's budget. The MTFP included additional contributions into General Balances so as to achieve the 5% policy minimum by 2027/28.

Members sought assurance that the financial situation would not cause a delay to the redevelopment works at Preston Circus. The ADR/T reminded the meeting that the Policy & Resources Panel had agreed to the additional funding for that scheme and the Service was in the process of moving towards a start date for building works and a decant of staff from the fire station. Estates was a challenge, but the refurbishment of Preston Circus, Fort Road (Newhaven) and the three remaining wholetime stations had already been committed to and would be undertaken, but after that a review of the Estates Strategy would be critical as it would be unaffordable in its current form. This review would be carried out in 2024/25.

Members discussed the importance of addressing and managing down the levels of overtime and in considering other crewing models in particular addressing the difficulty that was caused by the on-call model and how societal changes had meant that nationally recruitment to this model was a problem. The CFO confirmed that there was a national group considering the issue of on-call recruitment and that Members would be given an update on this at a future Members Seminar.

RESOLVED – The Fire Authority:

i. agreed to note the report and its assessment of the potential funding gap for 2024/25;

ii. provided comment on the risks set out in 4.6 and the assumptions set out in the report; and

iii. provided comment on the savings proposals set out in the report and that they would be presented with formal proposals for decision in February 2024.

178 Integrated Transport Function - Fort Road Site, Newhaven

The Fire Authority considered the report of the Assistant Director Operational Support & Resilience (ADOSR) providing Members with an update on the business case for the re-development of the Fort Road site in Newhaven and seeking approval to vary the capital programme to reflect the scheme costs. The ADOSR gave the Authority a recap of the timeline and the funding provisions, as set out in the body of the report. The main risks to the project included potential slippage to planning timescales, time taken for procurement processes, main drain diversion and an intrusive search for RAAC.

Members asked what liaison had been undertaken with other blue light services and other organisations with heavy fleet vehicles. The ADOSR reminded Members that this project had a long history and had been regularly reported to the Authority, the background papers and history of the Integrated Transport Function (ITF) was available online. The ADOSR gave a brief reminder that the ITF work had been underway in various guises for well over 8 years and lengthy negotiations had taken place with South-East Coast Ambulance Service, Sussex and Surrey Police and other local authorities. As there had been no workable options to progress in a collaboration the approach to the project had changed, and it was this that had been presented to Members over the past few months, culminating in this report. Continuing with the current provision was no longer an option and the grant was running up to its deadline for being utilized.

Members thanked officers for a comprehensive report and queried the contingency fund level and outsourcing figures. The ADOSR confirmed that the figure of £80,000 was a conservative estimate, currently the Service outsourced all the heavy fleet maintenance but by bringing Fort Road online as the Engineering hub the Service would have the capacity and facilities to bring all this in-house and potentially create opportunities to undertake work for other organisations. The Interim Estates Manager (IEM) confirmed they were confident in the contingency planning and fund level which was in accordance with best practice. The IEM confirmed that pre-planning advice had been sought and any delays would be mitigated by resequencing the programme. The anticipated timeframe would be to submit the planning application in February 2024 with a view to completion of the project by 2025.

In response to a query from Members the ADOSR confirmed that the intention was to move existing engineering staff from Bexhill to Newhaven and that the current staffing profile meant that there would be some apprenticeship opportunities opening up in Newhaven as a direct result of the move.

The Authority discussed RAAC more generally and were informed by the IEM that there were 9 properties within the Service's estate that were deemed to be of low risk, and these were being investigated by structural engineers. Members would be updated on results and progress at a future Members Seminar if required.

RESOLVED – The Fire Authority agreed that:

i. The existing capital schemes for Integrated Transport and Fort Road RIBA Stages 1-2 would be deleted and replaced with a new scheme Fort Road – Engineering Workshop and that the gross funding for the scheme is increased from £0.880m to £2.836m;

ii. The Fire Transformation Fund grant of £1.5m is recognised in the capital asset strategy giving a net scheme budget of £1.336m; and

iii. The forecast revenue consequences of the scheme would be built into the MTFP.

The Fire Authority agreed to note that the Senior Leadership Team had approved the full business case.

The meeting concluded at 12.12 pm

Signed

Chairman

Dated this day of 2024

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EAST SUSSEX FIRE AUTHORITY

Panel	Fire Authority
Date	8 February 2024
Title of Report	Fire Authority Service Planning processes for 2024/25 and beyond – Revenue Budget 2024/25 and Capital Asset Strategy 2024/25 to 2028/29
By	Dawn Whittaker, Chief Fire Officer and Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Alison Avery, Finance Manager
Background Papers	Fire Authority Service Planning processes for 2023/24 and beyond – Revenue Budget 2023/24 and Capital Strategy 2023/24 to 2027/28: Fire Authority 9 February 2023 2024/25 to 2028/29 Strategic Service Planning and Medium Term Financial Plan: Fire Authority 7 December 2023 Fire Authority Service Planning processes for 2023/24 and beyond – Revenue Budget 2023/24 and Capital Asset Strategy 2024/25 to 2028/29: Policy and Resources Panel 18 January 2024 Economic and Fiscal Outlook, November 2023 - Office of Budget Responsibility. Bank of England Monetary Policy Report – November 2023

Appendices

A Medium Term Finance Plan 2024/25 – 2028/29
B Revenue Budget Summary 2024/25
C Fees and Charges
D Capital Asset Strategy 2024/25 – 2028/29
E Reserves and Balances Policy
F Precept for 2024/25
G Establishment 2024/25
H Local Government Financial Settlement (provisional) Core Spending Power of Combined Fire Authorities
I Equality Impact Assessment

Implications

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

HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT ✓			

PURPOSE OF REPORT To present the Fire Authority's draft Revenue Budget 2024/25, Capital Strategy 2024/25 – 2028/29 and Medium Term Finance Plan for 2024/25 – 2028/29 for approval.

EXECUTIVE SUMMARY

The Authority's budget proposals for 2024/25 and its five year Medium Term Finance Plan (MTFP) were considered by the Policy & Resources Panel on 18 January 2023. Since that meeting the report has been updated to reflect:

- The latest council tax information including the Collection Fund position which has resulted in the forecast overall Collection Fund position for 2024/25
- The additional Funding Guarantee Grant announced by the Secretary of State
- The increase in Employers contribution for the Firefighters pension scheme and estimated offsetting Home Office grant
- Final revisions to pressures, bids and savings primarily to subsume Safer Communities saving within the Tranche 3 / Future Foundations project.

Final business rates and collection fund positions have not yet been finalised and these remain as estimates as reported previously. The Local Government Finance Settlement (LGFS) is expected to be finalised when the Local Government Finance Report (England) 2024/25 is debated by Parliament during February 2024.

The Authority has continued to make progress in identifying and agreeing efficiencies and savings proposals over the last 12 months. The latest version of the MTFP shows that the Authority has identified £1.883m of savings in 2024/25.

The MTFP indicates base budget savings of £2.211m will be required under the mid range scenario in 2025/26 (higher range £1.884m, lower range £2.536m). It will be essential for the Authority to act urgently to identify options to deliver the significant savings necessary to balance the budget for 2025/26.

There remains significant uncertainty for funding for 2025/26 and beyond and the Authority will need to remain flexible in its approach to its financial planning. A general election is expected to take place this year which may impact policy priorities for the coming years. At the time of publication none of the major political parties has indicated an intention to increase funding for local public services at a time when there are increasing financial pressures across public services generally, but in particular on health and social care. Reforms to local government funding have been delayed again (business rates and the funding formula) but are still expected in the medium term. Alongside this, the Authority can expect to see the continued impact of supply chain disruption and associated inflation, albeit at reduced levels, particularly on capital investment, new legislation on Business Safety (including the impact of the Building Safety Regulator), unfunded recommendations from HMICFRS both locally and nationally, the need for cultural change across the sector, pension costs, the implementation of the existing IRMP and the development of the new CRMP and major projects such as ESN (Emergency Services Network) are likely to impact on our financial position over the medium term.

The Capital Asset Strategy (CAS) reflects the Authority's identified capital investment requirements for the next five years. As capital reserves are drawn down the Authority will need to take out new borrowing over the life of the Strategy and the Treasury Management Strategy will carefully consider the options available. The Revenue impact of new borrowing is reflected in the MTFP from 2024/25 onwards. The current budget proposals and MTFP maintain the Authority's existing commitments to invest in its fleet and estate through its Capital Asset Strategy (CAS), and its IT and other assets through revenue funding. The impact of slippage and inflation on scheme costs within the Estates capital programme make it unaffordable in its current form and has resulted in a two phased review, an agreement of priorities to the end of 2024/25 against capacity and funding available for delivery, with a full review of the Estates Strategy, Design Guide and remaining capital programme in 2024/25. The full impact of inflationary cost pressures has yet to be reflected in the latter years of the CAS and it is likely that it will be unaffordable in its current form. Full reviews of the Estates, Fleet & Equipment and IT Strategy are planned for 2024/25.

The Authority has acted prudently in establishing reserves and balances to meet its assessed risks and to provide one off funding for specific priorities. The level of reserves held will significantly reduce over the life of the MTFP and this will bring forward the need to borrow and reduce the level of financial flexibility the Authority has outside of its Revenue Budget. The MTFP includes a number of measures to support financial sustainability over the medium term including additional contributions from the revenue budget into the General Balances to rebuild them to meet the Authority's policy minimum and a number of earmarked reserves to maintain some flexibility for future investment and reduce reliance on borrowing for maintaining and replacing existing capital assets.

RECOMMENDATION The Authority is recommended to:

1. Note that:

   (a) the one year settlement as set out in the Local Government Finance Settlement is only provisional at this stage and may be subject to change;

   (b) the East Sussex Business Rate Pool, of which the Authority is a member, has been approved as part of the LGFS, and that any income will be transferred into the Business Rates Pool Reserve;

   (c) that the Home Office has still to announce the amount and allocation of fire specific grants for 2024/25; and

   (d) the final business rate bases and the collection fund positions are still awaited and that any changes will be reflected through budget monitoring for 2024/25

2. Approve an increase in council tax of 2.99% and thus approve:

   (i) the budget proposals set out in this Report and the net budget requirement of £49.992m for 2024/25
   (ii) the council tax requirement of £32.483m; and
   (iii) the council tax and precepts as set out in Appendix F;

3. Approve the capital programme for the next five years and the capital budget of £8.949m for 2024/25 including the plan to use Community Infrastructure Levy (CIL), capital receipts, revenue contributions and new borrowing to finance capital expenditure;

4. Approve that the general balance remains below the Authority's policy minimum of 5% of the net revenue budget until 2026/27;

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

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

7. Approve that the Authority:

   (a) Does not progress placing a third pumping appliance into Bohemia Road (Hastings) as this option is no longer financially viable

   (b) Does not progress changing the Ridge Fire Station to Day Crewed from the current shift system which will maintain the current provision of two immediately available fire appliances in Hastings;

8. Approve that the Authority does not progress the East of the County options previously set out as part of tranche 4;

9. Further to the recommendation agreed by Policy & Resources Panel that the Senior Leadership Team present options for achieving permanent savings to balance the 2025/26 budget at the earliest opportunity, it is recommended that the Fire Authority request that Officers develop an options appraisal for Mayfield On-Call Fire Station. This would cover options to redistribute resources based on risk and the closure and sale of the Fire Station. An indicative timeline for any associated

public consultation and implications would also be required.

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1. INTRODUCTION

1.1 The report sets out the proposed Revenue Budget for 2024/25, a revised MTFP for 2024/25 to 2028/29 as well as the proposed CAS and Capital Programme for the Authority for the period 2024/25 to 2028/29 for the Authority to consider. The report is based on the latest information available, but Members should note that 2024/25 represents a one-year settlement, which at the time of writing the report had still not been finalised. Estimates have also been used where full information from billing authorities was not available for business rates and / or where the operation of some Government grants is not yet clear.

1.2 The Government has issued a one year Provisional LGFS for 2024/25. A subsequent written ministerial statement set out additional Funding proposals. There is still significant uncertainty about the Authority's funding for 2025/26 onwards.

1.3 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months. Since 2010/11 total savings delivered are £11.876m, with further identified savings over the MTFP totalling £2.171m.

1.4 The MTFP includes other changes to spending plans, the provisional LGFS and latest estimates on council tax and business rates. Taken together these show that the Authority can deliver a balanced budget in 2024/25 but only by reducing flexibility in terms of contingency / non pay inflation and the use of one-off savings. It is essential that as well as delivering the savings proposals set out in this report to balance the 2024/25, additional permanent savings necessary to balance the 2025/26 budget are identified as soon as possible.

1.5 There remains significant uncertainty for funding for 2025/26 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The Authority must continue to consider its long-term financial sustainability when setting its budget for 2024/25 and agreeing its Medium Term Finance Plan (MTFP) for the next five years. Whilst the Government has granted council tax flexibility, there is no commitment that flexibility will remain at 3% for fire & rescue services beyond 2024/25. A general election is expected this year and this may impact policy priorities for the coming years. At this stage none of the major political parties has indicated that there will be an increase in funding for local public services at a time when there are increasing financial pressures across public services generally but in particular on health and social care. Reforms to local government funding have been delayed again (business rates and the funding formula) but are still expected in the medium term. Alongside this, the Authority can expect to see the continued impact of supply chain disruption and associated inflation (albeit at reduced levels), particularly on capital investment, new legislation on Business Safety (including the impact of the Building Safety Regulator), unfunded recommendations from HMICFRS both locally and nationally, the need for cultural change across the sector, pension costs, the implementation of the existing IRMP and the new CRMP and major projects such as ESN (Emergency Services Network) are likely to impact on our financial position over the medium term.

2. ECONOMIC OUTLOOK

2.1 The general state of the economy is an important factor in setting the Authority's revenue budget and MTFP over the next five years. UK GDP growth is expected to have been flat in Q3 2023 with indicators of growth in Q4 being mixed.

2.2 The official UK bank interest rate has remained at 5.25% since August, having risen gradually from 4.25% in April 2023. It is expected to remain at 5.25% until June 2024 and then fall gradually to 4.00% by March 2025 and 3.00% by March 2026. The cost of borrowing through the Public Works Loan Board (PWLB) has risen over the corresponding period.

2.3 The Government continues to set the target for CPI at 2%. The November 2023 figure was 4.2% and the OBR expects it to continue to fall and reach the 2% target by the end of 2025.

3. NATIONAL FUNDING

3.1 The Provisional LGFS announced in December 2023 set out the smallest core spending power (CSP) increases for standalone fire & rescue authorities at 4.6%, due to the roll in of the Fire Pensions Grant which is cash flat for 2024/25 and lower council tax flexibilities. East Sussex's CSP increases by 4.9% and it is one of 31 CFAs that needed to receive CSP Minimum Guarantee grant. The Home Office is yet to confirm sector specific grants, but it is expected that, excepting the Firelink Grant which is being reduced to zero by 2026/27, all fire specific grants will remain at the same cash level as the current year. It is understood that the HO is reviewing the allocation of the Protection Uplift Grant which is something this Authority has lobbied for to reflect the actual risk in local communities, but there is a risk that the overall £12m national grant may be reduced as the Home Office seeks to balance its own budget.

3.2 The Provisional LGFS proposes a council tax referendum threshold of 3% for 2024/25. The Authority and the sector nationally had lobbied strongly for the threshold of £5 as granted in 2023/24 to be extended in order both the protect existing services, to invest in protection services post Grenfell and to address the areas for improvement identified by HMICFRS. This flexibility was not extended, removing potential additional income of £568,000 meaning that the Authority will need to take a greater proportion of the savings proposals identified.

3.3 The Provisional LGFS was released on 18 December 2023. We have modelled on the basis of the Provisional LGFS and used the analysis provided by Local Government Futures (LGF). The main assumptions from a funding perspective are:

- SFA (including RSG, Service Grant, CSP Minimum Guarantee grant and Business Rates Top Up grant) is as set out in the provisional LGFS and the subsequent written ministerial statement;
- Locally retained business rates income and S31 grant in relation to business rates reliefs and under indexation of the business rate multiplier is as forecast by LGF;
- that the council tax increase will be set at 2.99%;
- that the East Sussex Business Rate Pool continues for 2024/25 and any income will be transferred into the earmarked reserves (given the uncertainty regarding business rates and the delays in distribution of Pool surpluses due to the national audit backlog the Authority does not budget for Pool income);
- that the 2023/24 pensions grant will be rolled into the settlement at the same cash level and that the additional cost of increased employers contributions from the latest scheme valuation is fully funded by a new pensions grant;
- That the 2023/24 protection grant will be extended at the same level for another year, although this is yet to be confirmed by the HO.

3.4 Following the consultation period on the Provisional LGFS The Secretary of State, Michael Gove, announced additional funding for local authorities worth £600 million. The additional funding includes increasing the Funding Guarantee from 3% to 4%, to ensure authorities see a minimum increase in Core Spending Power of 4%, before council tax. It is forecast this would result in an additional £0.516m for 2024/25 only. This additional funding has been allocated to the contingency and plans for its use will be agreed by SLT and reported through our regular budget monitoring.

3.5 The Local Government Finance Report (England) 2024/25 will be debated in Parliament at some point in early February and there is a risk that final funding figures will not be announced in time for the Authority's budget setting meeting on 8 February 2024. This does not prevent the Authority setting either its budget or its precept, but it is recommended that authority is delegated to the Treasurer, in consultation with the Chairman and the Chief Fire Officer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.

3.6 There remains significant uncertainty for funding for 2025/26 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The Authority must continue to consider its long-term financial sustainability when setting its budget for 2024/25 and agreeing its Medium Term Finance Plan (MTFP) for the next five years. The Authority has delivered significant savings since 2010 and at the same time has drawn down on its reserves to fund planned investment priorities. As a result, it has significantly less financial flexibility and resilience. Borrowing to fund capital investment will be required from 2024/25 for the first time in over 15 years. Changes to frontline service delivery through the IRMP have proved challenging to implement and will take time to bed in and deliver the desired outcomes. At the same time the impact of sickness and other long-term absence is driving pressures in the operational pay and overtime budgets which it may not be possible to fully manage out. In the absence of a medium-term funding settlement the 5 year MTFP forecasts the need for significant additional savings in both 2025/26 and beyond.

3.7 Part of the Sector's offer to Government through CSR (Comprehensive Spending Review) was to deliver improvements in both productivity and efficiency and work continues through the NFCC's Productivity and Efficiency Group to develop this, particularly how to define and track improvements in operational productivity. The Authority is required to publish its Productivity & Efficiency Plan by 31 March 2024. We are currently awaiting updated guidance from the Home Office and our intention is to consult on the plan before the publication date and bring it for formal adoption to the earliest possible Authority meeting.

3.8 The current assumption is that as part of the one-year only LGFS, losses from central Government policy changing business rates yield will be compensated for by a section 31 grant. Previously the MTFP relied on assumptions based on data from the billing authorities however the nature of the one-year LGFS means that it is preferred to use assumptions based on the 2023/24 actual data and announcements relating to the one-year LGFS supported by modelling provided by LGF. This remains the case for the final budget papers to Fire Authority as the national deadline for the billing authorities to submit their NNDR1 returns for 2024/25 is 31 January, after the deadline for the Fire Authority papers. Any changes once the budget has been set will be reported through our regular budget monitoring.

3.9 Additional funding was provided to fire authorities in 2019/20 in order to mitigate most of the increase in the employer contribution rate for the Firefighter pensions, with the sector paying £10m of the additional costs in 2019/20. This funding was extended in 2020/21, 2021/22, 2022/23 and 2023/24. This grant has been rolled into the settlement for 2024/25. The Home Office has announced that there will be a further 2024/25 Fire Pensions grant to compensate for the further increase to employer contribution rates as a result of the recent scheme valuation. The new employer rate of 37.6% and estimated offsetting grant have been incorporated within the MTFP at nil impact on the budget in 2024/25. There is a risk that the actual allocation will not match the cost at individual authority level and any impact will be reported through our regular budget monitoring.

3.10 There has been no announcement on specific grants for the fire service to date. The Authority has assumed cash flat for 2024/25 and beyond for ongoing grants such as Protection and New Dimensions. The Firelink grant will reduce to £0 by 2026/27, and this pressure is reflected within the MTFP. The Authority has lobbied for a fairer apportionment of the Protection Uplift Grant to reflect the local risk resulting from the numbers of both high and medium rise buildings. Following a meeting in September HO did agree to review the basis of the allocation, however the final outcome has yet to be announced. There is a potential risk that the overall quantum of the national grant could be reduced from £12m as the HO seeks to balance its own budget.

4. MEDIUM TERM FINANCIAL PLAN

4.1 The MTFP (Appendix A) reflects the modelling for 2024/25 set out in paragraph 3.3 above and then the scenarios in paragraph 4.2 for the remaining four years of the plan. Appendix A shows the mid range in detail and includes the latest information on business rates and council tax. The risks set out in paragraph 4.9 below, the expected national election, the potential for further reductions in public spending and proposed changes to the way local government is supported centrally makes forecasting the position beyond 2025/26 extremely difficult. For that reason, the forecast within the MTFP for 2025/26 to 2028/29 should be regarded only as indicative at this stage.

4.2 The MTFP reflects our initial modelling of these factors and includes the following key assumptions:

- any changes to the distribution of business rates or the funding formula will have a net nil impact on the Authority;
- Section 31 grant to compensate authorities for the loss of income as a result of the capping of the multiplier and various reliefs will continue based on current forecasts;
- Minimum Funding Guarantee Grant drops out completely after 2024/25;
- An increase in council tax base of 1.44% for 2024/25 and an increase of 1% pa in 2025/26 and thereafter;
- Increases of 2.99% in council tax in 2024/25 and 1.99% thereafter;
- Provision for pay increases of 4% for all staff in 2024/25, reducing to 2% pa thereafter;
- Provision for price increases of 3% in 2024/25 (excepting specific areas where provision for excess inflation is proposed) and 2% thereafter;
- Delivery of savings in line with agreed plans, including those identified by SLT during the budget setting process and detailed in 6.8;
- That additional employers' pension contributions for the Firefighter's Pension Scheme will be funded by a new Government grant from 2024/25.

4.3 Following a review by the East Sussex Finance Officers Association (ESFOA) an application to continue the East Sussex Business Rate Pool in 2024/25 was made and approval was confirmed in the provisional LGFS. As the deadline for withdrawal (15 January) has now passed the Pool will continue to operate. The Authority has not budgeted for any Pool income in 2024/25 and any income received will be transferred into the Business Rate Pool Reserve. The MTFP assumes that income from the Pool will fund the delivery of the capital programme reducing the need to borrow. Members should be aware that if the Pool makes a net loss, then that will be shared proportionately to the benefits set out in the MoU (Memorandum of Understanding) which is 10% for this Authority. ESFOA's view is that the risk of this is low.

4.4 The council tax base forecast for 2024/25 previously included an estimate of the impact of the proposal by Rother District Council to increase the maximum discount in its Local Council Tax Reduction Scheme to 100% i.e. a loss of

£0.040m. Confirmation has been received that it is expected this loss will be offset in full, partly by the utilisation of flexibilities under the Levelling Up and Regeneration Bill relating to empty properties and partly due to improved collection rates.

Further flexibilities relating to second homes may impact on the council taxbase from 2025/26 but this is dependent on decisions made by each billing authority and requires notice to be given before 1 April 2024/25.

4.5 Overall, current forecasts for Collection Funds indicate a surplus of £0.059m in 2024/25.

4.6 For 2024/25 pay inflation for all terms and conditions is 4%. Provision is made for incremental progression and performance related pay (where applicable), the correction of historic anomalies and other changes in the pay budget identified through budget monitoring in the current year and an ongoing exercise to review and formalise the support staff establishment.

4.7 Price inflation has been allocated for specific items identified during the budget setting process. The remainder of the originally allocated 3% price inflation, totalling £324,000, has been allocated to contingency for 2024/25 only, with an ongoing saving against the contingency budget of £358,000 supporting a balanced budget. As noted earlier in this report the OBR forecast is for CPI to remain above the Government's 2% target during 2024/25 and it is intended the contingency budget will be utilised to support any inflationary pressures.

Price inflation is included at 2% for 2025/26 and the remainder of the MTFP.

4.8 The MTFP also models three future funding scenarios:

- Higher range – SFA increases by 2% pa from 2025/26 (in line with our forecast for pay and price inflation), council tax threshold is 3% pa from 2025/26
- Mid range - SFA increases by 2% pa from 2025/26 (in line with our forecast for pay and price inflation), council tax threshold is 2% pa from 2025/26
- Lower range – SFA remains cash flat at 2024/25 levels, council tax threshold is 2% from 2025/26

The MTFP mid range shows a budget gap for the remaining four years of the MTFP, which indicate additional base savings of up to £2.589m (2026/27) would be required.

It should be noted there is uncertainty over funding from 2025/26. The higher range indicates additional base savings of up to £1.911m would be required. The lower range the additional base savings required are £3.570m.

4.9 There is a range of risks that have the potential to impact on the Authority's ability to deliver its budget plans over the medium term to which Members must give consideration, primarily:

- Our ability to identify and deliver the savings required to balance the budget over the medium term;
- The provision of grant funding by Government to offset the expected significant increase in costs of employer's contributions to the FPS (Firefighters Pension Scheme) from 2025/26 onwards (new grant provided in 2024/25 is for one year only but would be expected to be continued as part of a new CSR so we have modelled it as ongoing);
- The Service's ability to manage out current revenue pressures in Safer Communities and Training;
- Increasing costs of capital schemes due to inflation which are likely to make the Capital Programme in its current form unaffordable;
- Increased reliance on borrowing to fund future capital investment from 2024/25 onwards and the resulting impact on the revenue budget;
- Lack of clarity about the financial impact of the national Emergency Service's Mobile Communication Programme;
- The potential for pay awards to exceed the provision in the budget;
- The potential for non-pay inflation to exceed the provision made in the revenue budget and the capital programme;
- Uncertainty about future governance and funding including:
  - the last year of the current three-year Comprehensive Spending Review and the period from 2025/26 onwards
  - the impact of any changes to the funding formula
  - for the impact of any changes to the business rates system
- The outcome of national elections expected in 2024 and any change to policy or funding for the fire service;
- The impact of local growth and additional housing, road and commercial risks;
- Any further development of local devolution proposals;
- The financial implications of climate change both through service delivery (response to extreme weather events) and the need to meet the national target for net zero carbon emissions by 2050;
- The outcomes of the Fire and Rescue Reform White Paper;
- Outcomes for the fire service nationally and locally from the HMICFRS inspection process including the ongoing process of cultural change and strengthening of inclusion and diversity;
- The impact of the Building and Fire Safety Acts on fire service responsibilities and the resultant cost of compliance/delivery;
- The possibility of industrial action across the sector.

4.10 The Authority has made provision to manage financial risks and in year pressures through both the Reserves Strategy and a contingency within the Revenue Budget of £1.016m in 2024/25 (including on a one-off basis general non pay inflation provision of 3% and the additional expected Funding Guarantee Grant income of £0.516m) decreasing to £0.520m in 2025/26.

4.11 In order to produce a balanced budget for 2024/25 a total of £1.269m will be funded through one-off savings and flexibilities. Permanent savings will need to be identified ahead of 2025/26 to ensure the budget can be balanced.

4.12 The following financial sustainability provisions have been included within the MTFP:

- Increased contributions to the capital programme reserve, up to £3m by 2027/28 to match the expected baseline level of spend thereby reducing the need to take new borrowing;
- Additional provision of £0.2m a year from 2025/26 to support further improvement and efficiency initiatives;
- Provision of £0.5m to fund ESN and other IT projects beyond the current IT strategy;
- Transfer of £0.842m to the general reserve to return to the reserve to the 5% policy minimum by 2026/27;
- Provision of £0.3m a year from 2025/26 to fund workforce transition including cultural change and any one-off costs of the additional savings proposals set out in this report. This provision is reduced to £0.1m in 2024/25 in order to balance the budget.

4.13 In overall terms the assumptions set out in the report mean that the revised MTFP shows a balanced budget in 2024/25 with the use of one-off savings/flexibilities and then a need to deliver savings of £2.211m in 2025/26, £2.589m in 2026/27, £2.576m in 2027/28 and £2.165m in 2028/29.

5. PROJECTED REVENUE POSITION 2023/24

5.1 The revised Service Revenue Budget for 2023/24 is £45.058m. Based on figures to the end of November 2023, and as reported to Policy & Resources Panel 18 January 2024, the revenue budget is forecast to underspend by £0.043m.

5.2 Should an overspend materialise this will need to be funded from reserves.

6. REVENUE BUDGET 2024/25

6.1 Impact of national funding changes on local position

6.1.1 The Revenue Budget Summary for 2024/25 and the MTFP have been updated to reflect the provisional LGFS, and the most recent information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. The position is summarised below in Table 1. The majority of the increase in funding is due to the existing Fire Pension Grant of £1.735m being rolled into Revenue Support Grant (RSG).

Table 1: Summary of Impact of Local Government Finance Settlement

	2024/25 £'000
Locally Retained Business Rates	2,582
Top Up Grant	5,789
Business Rates Baseline	**8,371**
Revenue Support Grant	5,639
Settlement Funding Assessment	**14,010**
Service Grant Allocation	49
CSP Minimum Funding Guarantee	1,165
S31 Grant - Business Rates Adjustment	2,231
Total for comparative purposes	**17,455**
As reported to Fire Authority December	14,803
Increase/(decrease) in funding	**2,652**

6.1.2 The Authority's council tax base for 2024/25 is calculated as 302,199.40, an increase of 1.44% on 2023/24. This increased tax base combined with a council tax increase of 2.99% yields additional income of £1.391m.

6.1.3 Overall, current forecasts for Collection Funds indicate a surplus of £0.059m in 2024/25, albeit this is yet to be finalised by billing authorities.

Table 2: Movement in Resources

	2024/25 Latest position £'000	2024/25 Fire Authority December 2023 £'000	Increase / (Decrease) £'000
Locally Retained Business Rates	2,582		
Business Rates Top up	5,789		
Business Rates Baseline	**8,371**		
Revenue Support Grant	5,639		
Settlement funding assessment	**14,010**	**12,274**	**1,736**
Service Grant Allocation	49	314	(265)
CSP Minimum Funding Guarantee	1,165		1,165
Section 31 Grant Business Rates adjustment	2,231	2,215	16
Collection Fund Surplus / (Deficit) Council Tax and Business Rates	54	(200)	254
Council Tax Requirement	32,483	32,339	144
Total Resources	**49,992**	**46,942**	**3,050**

6.2 Comparative position

6.2.1 As part of the provisional LGFS the Government publishes an assessment of all authorities' core spending power (figures quoted are adjusted for the 3% council tax threshold). For 2024/25 this Authority's increase in core spending power is assessed as 4.9% which is higher than the average for stand-alone fire & rescue authorities of 4.6%. The Authority is also one of thirty-one authorities receiving the CSP minimum guarantee grant. Only four authorities have seen increases of 5.0% (see Appendix H). The Government's calculation of core spending power (CSP) assumes that all authorities set a council tax increase at the referendum threshold. It also uses a five year historic average figure for council taxbase growth rather than the actual 2024/25 figure. This comparative analysis reflects the position prior to the written ministerial statement published on 24 January and does not include the impact of the increase in the CSP minimum funding guarantee grant to 4% and the additional £15m for Rural Services Delivery Grant. Updated CSP comparative figures will be published as part of the Final LGFS.

6.2.2 A comparison of Band D council tax for 2023/24 shows that this Authority ranks fourth highest out of 22 combined fire authorities. The Authority's Band D tax for 2022/23 was 7.8% higher than the authority ranked one below and 4.6% lower than the authority ranked higher.

6.3 Overview of current budget proposals

6.3.1 The Budget Strategy of the Fire Authority is to support the following policy priorities:

(i) to fulfil the Fire Authority's statutory duties as a legally separate authority;
(ii) to ensure the Fire Authority has sufficient resources to meet its statutory responsibilities, not only for the current year, but also for the investment required primarily for the replacement of assets to ensure long-term service sustainability;
(iii) to discharge its duties, as established under the Combination Order, with regard to determining an annual budget and consulting with stakeholders of its budget proposals, as appropriate;
(iv) to deliver our Purpose and Commitments through our Integrated Risk Management Plan (IRMP) and our other key corporate strategies;
(v) to identify sufficient savings over the medium term to ensure it has a balanced budget and sustainable medium term finance plan in the light of the significant uncertainty for future funding.

6.3.2 The Authority has since 2010/11 achieved £11.876m of operational and non-operational savings. The current MTFP includes additional approved savings of £2.171m. Under the medium range scenario up to a further £2.589m of savings will be required to fully balance the budget over the MTFP.

6.3.3 Precepting status means that the Revenue Budget must be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves and Balances. The 2024/25 Revenue Budget has been prepared against a background of continued uncertainty regarding future funding for public services.

Table 3: Summary of Net Budget Requirement

	£'000	Change %
Original Estimate 2023/24	**45,057**	
Transfer of Pension Grant into Revenue Support Grant	1,735	3.85%
Pay inflation	2,192	4.86%
Non pay inflation	385	0.85%
Changes in capital financing	59	0.13%
Commitments and bids	1,812	4.02%
Savings	(1,883)	(4.18%)
Reserve funding	636	1.41%
Original Estimate 2024/25	**49,992**	**10.95%**

6.4 **Consultation**

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

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

In total, 2,047 responses were received:

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

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

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

The extent to which ESFRS offers value for money.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.4.3 The budget proposals were shared with key business representative groups, partners and employee representative bodies on 10 January with an invitation to comment. No responses have been received.

6.5 **Fees and Charges**

6.5.1 The existing policy is for fees and charges to be reviewed not less than once a year and that increases should take into account the cost of providing the service, including the effects of inflation.

6.5.2 Appendix C gives details of increases in fees and charges for fire and rescue service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. The main impact on the costs of providing these services is pay related. Therefore, to reflect the nationally agreed increase in pay it is proposed to increase the fees and charges in line with this inflation.

6.6 **Main Variations**

6.6.1 In setting the 2024/25 Revenue Budget a number of commitments have already been agreed, either previously as part of the 2023/24 budget setting or from the 2024/25 budget setting and Star Chamber process. These add to or reduce the revenue budget as pressures and cyclical items and one-off projects are added and removed. Some are fixed sums and others are driven by assumptions. The current position is illustrated in Table 4:

Table 4: 2024/25 Budget Commitments

Description	Directorate	24/25	25/26	26/27	27/28	28/29
Budget Pressures		£'000	£'000	£'000	£'000	£'000
Existing Service Pressures approved February 2023						
Airwave – Home Office Grant	RT	47	48	48	0	0
HR maternity cover (one off)	PS	(8)	0	0	0	0
PPE for Firefighter recruitment	PS	(8)	0	0	0	0
Treasury Management income	Corporate	50	50	40	0	0
HR Assistant Role (one off)	PS	(2)	0	0	0	0

Workforce Transition	Corporate	116	0	0	0	0
Transitional funding for training (two years only)	PS	0	(160)	0	0	0
New Service Pressures						
Treasury Management Income (one off)	Corporate	(200)	200	0	0	0
Support staff pay increments	All	66	66	66	66	66
Payroll pay budget – correction of budget error	PS	98	0	0	0	0
Vehicle sales (one off)	OSR	10	(10)	0	0	0
Defib Replacement	OSR	0	10	0	0	0
Hydrant repairs and replacement (excess inflation)	OSR	17	0	0	0	0
AC2 Overtime	OSR	6	0	0	0	0
Fire Brigade Union Overtime	OSR	8	0	0	0	0
Joint Fire Control	OSR	53	0	0	0	0
DBS Checks	PS	3	0	0	0	0
DBS Checks – Funded from Workforce Transition	PS	(3)	0	0	0	0
Say So – Independent Reporting Lines	PS	6	0	0	0	0
Say So – Independent Reporting Lines – Funded from Workforce Transition	PS	(6)	0	0	0	0
Investigating Officers	PS	12	0	0	0	0
Investigating Officers – Funded from Workforce Transition	PS	(12)	0	0	0	0
Health & Safety Job Evaluation	PS	3	0	0	0	0
Occupational health (excess inflation)	PS	2	0	0	0	0
Vending machine contract	PS	2	0	0	0	0
Driver training	PS	66	5	15	14	(8)
PMO Manager – market supplement	P&I	7	0	0	0	0
Finance ERP System – licensing and support	RT	50	50	0	0	0
Insurance (excess inflation)	RT	17	0	0	0	0
MBOS delay/extension (one off)	RT	50	(50)	0	0	0
IT Outsource	RT	0	480	0	0	0
Nasstar Webex Meeting Licences	RT	16	0	0	0	0
Cylix (Learning Pool)	RT	1	0	0	0	0
Canon	RT	10	0	0	0	0
Infographics (Firewatch App)	RT	3	0	0	0	0
Eastbourne fibre connection	RT	4	0	0	0	0
PA Replacement maintenance	RT	1	0	0	0	0
Active Infomatics telent managing agent	RT	5	0	0	0	0
EE	RT	18	0	0	0	0
Firelink charges	RT	107	0	0	0	0
PPE (excess inflation)	RT	73	0	0	0	0
Intend implementation	RT	1	0	0	0	0
Condition surveys (one off)	RT	81	(81)	0	0	81
Cadets	SC	20	0	0	0	0
Cadets – Funded from sponsorship income	SC	(20)	0	0	0	0
NFCC subscription	Corporate	3	0	0	0	0
Ill health retirements (one off)	Corporate	140	(94)	(47)	0	0

Additional Employers Pension Contribution	Corporate	1,428	0	0	0	0
Grant to cover Additional Employers Pension Contribution	Corporate	(1,428)	0	0	0	0
Total Pressures		**913**	**514**	**122**	**80**	**139**
Budget Bids						
Bids Originating in 2023/24 budget setting process						
Top up Capital Programme Reserve	Central	500	500	500	500	0
Top Up General Reserve	Central	283	(502)	(100)	0	0
Top up I&E reserve	Central	200	0	0	0	0
Top up reserve – ESMCP (one off)	Central	0	250	(250)	0	0
Top up reserve - ITG Strategy (one off)	Central	0	0	250	(250)	0
Comms and Engagement Strategy	P&I	(12)	0	0	0	0
Wholetime Recruitment (one off)	PS	25	(25)	0	0	0
Public Consultation for CRMP (one off)	P&I	38	(38)	0	0	0
Advert and Publicity for CRMP (one off)	P&I	3	(3)	0	0	0
Pensions Specialist	PS	0	(60)	0	0	0
Additional Pension Resource	PS	(41)	0	0	0	0
Funding for Additional Pension Resource	PS	34	0	0	0	0
EDI Training	PS	60	(60)	60	(60)	60
E-Recruitment	PS	4	0	0	0	0
Direct Entrant	PS	21	(38)	(35)	0	0
Direct Entrant – Funded by Protection Grant	PS	(33)	33	0	0	0
Health & Safety – Additional Resource	PS	(43)	0	0	0	0
Funding for Additional Resource from Carry Forward	PS	24	0	0	0	0
Funding for Pension Specialist from Pension Reserve	PS	(2)	67	0	0	0
BA Project Manager (one off)	OSR	(12)	0	0	0	0
SSRI Regional Post	OSR	(6)	0	0	0	0
IRMP Team	SC	(263)	0	0	0	0
Officer to support HMI Inspection process	P&I	(44)	0	0	0	0
Public consultation for MTFP	P&I	(38)	0	0	0	0
Advert and Publicity for MTFP	P&I	(3)	0	0	0	0
Bids 2024/25						
Reduction of Workforce Transition budget (one off)	PS	(200)	200	0	0	0
Remove top up of I&E reserve in 2024/25 (one off)	Corporate	(200)	200	0	0	0
Extend General Reserve Top Up	Corporate	(311)	360	100	(50)	(50)
Wholetime Recruitment (one off)	PS	(201)	201	0	0	0
Fireground welfare	OSR	10	0	0	0	0
2 x LCS Crew Managers	OSR	116	0	0	0	0
Lightweight flat hose (one off)	OSR	15	(15)	0	0	0
PPE Specialist Functions	OSR	70	5	(55)	0	0
Increase Mobilising Reserve	OSR	0	25	0	0	0
EDI Training	PS	(30)	60	(60)	60	(60)
Treadmill replacements (one off)	PS	45	(45)	0	0	0
Gym Refurbishment (one off)	PS	25	(25)	0	0	0

Gym Refurbishment – Funded from carry forward reserve	PS	(18)	18	0	0	0
PPE for FF recruitment (one off)	PS	5	(5)	0	0	0
HR Support for IRMP/Future Foundations (one off)	PS	67	(67)	0	0	0
Project Management for CRMP (one off)	P&I	26	0	(26)	0	0
Project Co-ordination for CRMP (one off)	P&I	8	0	(8)	0	0
Data Management (one off)	P&I	265	(235)	(30)	0	0
Funding from I&E / ITG Strategy (one off)	Corporate	(257)	257	0	0	0
Public Consultation for CRMP	P&I	(38)	76	(38)	0	0
Advert & Publicity for CRMP	P&I	(3)	6	(3)	0	0
Microsoft Roadmap implementation (one off)	RT	200	(200)	0	0	0
Funded from ITG Strategy	Corporate	(200)	200	0	0	0
Fire Compartmentation Survey (one off)	RT	45	(45)	0	0	0
Flood defences – Lewes and Rye (one off)	RT	35	(35)	0	0	0
Multi station drainage review (three year only)	RT	0	34	0	0	(33)
Conversion of Station Manager to Group Manager to support CRMP	SC	14	0	0	0	0
Safer Communities flexibility (one off)	SC	200	(200)	0	0	0
Increase contingency budget	Corporate	516	(515)			
Total Bids		**899**	**379**	**305**	**200**	**(83)**
Overall Total		**1,812**	**893**	**427**	**280**	**(83)**
Cumulative Total						

6.6.2 The main variations reflect:

- Pay budget adjustments, including the ongoing impact of 2022/23 & 2023/24 pay rises being higher than budgeted in 2023/24 and incremental progression for support staff;
- Additional Treasury Management income (one-off) expected due to balance of reserves and anticipated interest rates;
- Joint Control Room costs;
- Finance ERP (Enterprise Resource Planning) system and associated implementation costs;
- Excess inflation on Firelink charges;
- Ill health retirements;
- 2 additional Crew Managers within the Logistics Control Support team to support crewing management;
- Personal protective equipment for specialist functions;
- Data Management project and associated funding;
- Microsoft Roadmap and associated funding;
- Additional flexibility for Safer Communities (one-off);
- IT Outsource from 2025/26;
- Additional employer’s contribution to Firefighters pension scheme and offsetting government grant;

- Contribution to contingency funded from additional Funding Guarantee Grant.

The following one-off variations were made to provide a balanced budget:

- A reduction of £200,000 in the Workforce transition budget;
- Removal of £201,000 budget for Wholetime recruitment, with the decision that a wholetime recruitment course will not be required in 2024/25;
- Deferral of I&E top up of £200,000, with top ups planned from 2025/26;
- Reduce the general reserve top up in 2024/25 by £310,000 and extend the period over which the reserve is topped up.

6.7 Efficiency Strategy and Planned Savings

6.7.1 Since 2010/11 and to the end of this MTFP, the Authority has made, and has planned to make, savings totalling £14.047m of which £11.876m will have been delivered by the end of 2023/24. The MTFP includes savings of £1.883m for 2024/25 and savings of £2.171m over the duration of the MTFP. These savings are shown in table 5 below:

Table 5: Savings

Description	Directorate	24/25	25/26	26/27	27/28	28/29
		£'000	£'000	£'000	£'000	£'000
Existing Service Savings approved February 2023						
IRMP	SC	(406)	0	0	0	0
Procurement savings	RT	(25)	(25)	(25)	(25)	(25)
Insurance – installation of CCTV	RT	(15)	0	0	0	0
Telent contract savings	RT	(8)	(12)	48	0	0
Estates strategy savings	RT	45	(74)	(45)	0	0
Firewatch benefits realisation	PS	(13)	(12)	0	0	0
EDI (Equality, Diversity and Inclusion) Training	PS	0	10	0	0	0
External Training	PS	0	160	0	0	0
New Service Savings						
Additional Availability Allowance	SC	(14)	0	0	0	0
Unachieved Procurement savings – prior years	RT	66	0	0	0	0
Unachieved CRM savings	SC	104	0	0	0	0
Tranche 1 – RDSO posts	SC	(198)	0	0	0	0
Tranche 2 – Lewes & Crowborough On-Call	SC	(86)	0	0	0	0
Engineering restructure	OSR	(12)	(70)	(13)	0	0
Access to Work	PS	(2)	0	0	0	0
Health & Safety income	PS	(2)	0	0	0	0
Unachieved Firewatch benefits realisation	PS	13	12	0	0	0
Driving Licence Checks	PS	(7)	0	0	0	0

People Strategy savings	PS	(41)	0	0	0	0
CRM licences	RT	(33)	0	0	0	0
Telephone Lines	RT	(3)	0	0	0	0
Process Digitisation (EDRMS)	RT	(50)	0	0	0	0
Airbus annual order, SCguide, ScResponse, CRASH	RT	(23)	0	0	0	0
Integrated Health & Safety System	RT	(23)	23	0	0	0
Joint Fire Control – Orbis	RT	(10)	0	0	0	0
Procurement Travel	RT	(4)	0	0	0	0
Procurement Consultancy Fees	RT	(20)	0	0	0	0
Utilities	RT	(335)	0	0	0	0
Corporate non-pay	Corporate	(8)	0	0	0	0
Reduce contingency	Corporate	(358)	0	0	0	0
Tranche 3/ Future Foundations/Vacancy Management	All	(415)	(215)	0	0	0
Overall Total		**(1,883)**	**(203)**	**(35)**	**(25)**	**(25)**
Cumulative Total			**(2,086)**	**(2,121)**	**(2,146)**	**(2,171)**

6.7.2 To provide a balanced budget for 2024/25 a saving of £358,000 has been made against the contingency budget, reducing the balance of the contingency budget for 2024/25 to £1,016,000. This figure includes the centrally held 3% general inflation provision of £324,000 and the temporary allocation of £516,000 from the additional Funding Guarantee Grant. Given the ongoing pressure in the Safer Communities budget is unlikely to be managed out in advance of 2024/25 and the potential implementation costs for Tranche 3 / Future Foundations it is considered prudent to maintain contingency at this level.

6.7.3 Tranches 1 and 2 of the savings proposals approved by Fire Authority in February 2023 have been delivered in advance of 1 April 2024 and resultant savings totalling £284,000 are included in the Table above. Tranche 3 is underway and being delivered through the Future Foundations Project with support from external consultants. The latest forecast is that Tranche 3 can deliver savings of £415,000 in 2024/25, which includes £200,000 from temporary vacancy management, with the full saving of £630,000 being delivered for 2025/26.

6.8 Tranche 4 – East of the County options

Following the Provisional LGFS which provided some additional funding beyond that forecast in the December report to Fire Authority it has not been necessary to take these savings to balance the 2024/25 budget.

6.8.1 These proposals sought to reduce costs by £263,000 by reducing overall headcount by 4 and drawing from the existing crewing pool as required to maintain crewing levels, without impacting services to the public. There is a limit to what can be achieved in this way at a wider Service level, as any absence, leave or training will effectively draw on the same central crewing pool provision and result in shortfall. If this exceeds the crewing pool provision, then the shortfall will be covered by overtime.

6.8.2 The changes from the current IRMP are not due to be fully embedded for approximately another 12 months at which time we would expect the system to be at its most efficient. The day crewed changes were introduced at the same time across all of the 6 stations, rather than being staggered over a number of years as originally proposed. Also, at present due to the high sickness absence and to some extent the need for greater harmony between the training programme and appliance availability requirements, overtime costs are high.

6.8.3 Therefore, following further assessment of these proposals officer's view is that there is a risk that these proposals will result in increased overtime costs which would offset the saving and add to the existing pressure on the Safer Communities overtime budget.

This option is not recommended for further consideration as part of savings plans for 2025/26 onwards.

6.8.4 The position of ensuring two immediately available fire appliances in Hastings 24/7, which is currently what has been agreed by the Fire Authority, is unlikely to change following further risk analysis.

6.8.5 **Previous IRMP decisions affecting Hastings**

Within the IRMP 2020-25 the Authority approved a proposal that a 'second full-time fire appliance will be introduced at Bohemia Road Station, increasing the staffing levels at that station and The Ridge fire station changing to a 7 day a week "day crewed" system with a 1 watch staffing level of 9.' In February 2023 the Authority agreed to pause work on this element of the IRMP to allow Tranche 4 proposals for the East of the County to be developed.

6.8.6 Taking into account the uncertainty regarding future funding and the level of savings that the MTFP Mid-range scenario forecasts will be required (£2.211m in 2025/26 and £2.165m by 2028/29) it is officers' view that that it would not be sustainable to commit to the additional cost of the Hastings IRMP proposals at £120,000 per annum at this time. Officers also considered the net impact of not progressing the Tranche 4 East option changes at The Ridge, the volume of change that been introduced over the last 12 months and the challenges that are being experienced in managing crewing within the existing budget. Given these factors it is recommended that the Fire Authority therefore cancel the introduction of an additional pump into Hastings and also the proposal to move the Ridge Fire station to day crewed.

6.8.7 It is important to note that at this point, whilst we undertake the assessment of the annual settlement and the impact of crewing changes made in 2023, the intention is to still deliver a minimum of 18 available appliances 24/7, as set out in the Operational Response Plan once the IRMP has been delivered in full.

6.8.8 Options for operational cover across East Sussex, including Hastings, will be revisited as part of the CRMP during 2024/25, in the normal way, which results in the allocation of resource against risk being assessed. This is impacted annually by the MTFP, annual budget forecasting and eventual settlement. The next CRMP proposals are expected to be approved for public consultation in the summer of 2025.

6.9 The MTFP (Appendix A) indicates that base budget savings will be required to balance the budget over the following four years. The mid range scenario indicates savings required are up to £2.589m. The amount increases in the lower range with savings required of £3.570m and reduces in the higher range with savings required standing at £1.911m.

The 2024/25 budget includes a number of one-off savings and flexibilities totalling £1.269m, including the removal of wholetime firefighter recruitment budget for 2024/25, a reduction of the workforce transition budget and reductions in the top ups previously planned to the I&E reserve and general reserve.

6.10 The forecast funding gap for 25/26 the gap is between £1.884m and £2.536m. Savings of £14.047m have been / are planned to be taken between the period of 2010/11 and 2028/29, and a list of savings has also been agreed to be taken through the MTFP tranches. This leaves the Fire Authority with fewer options to balance any shortfall in the budget and it is now necessary to consider the future of our response locations. The Fire Authority will be provided with a suitable risk evaluated set of options that will ensure we continue to deliver a risk-based community service to the public within a balanced budget.

6.10.1 Members will recall that in December 2022 a confidential paper was presented detailing Officers' proposals for bridging a reasonable worst-case scenario revenue budget deficit of £3m, and a reasonable case scenario of £1.7m. The long list of proposals included refreshing the impact analysis of closing three on-call stations; Mayfield, Burwash and Herstmonceux (Tranche 5).

6.10.2 The analysis was based on the Rural Fire Cover Review in 2009/2010 and it was identified that the then attendance standards and levels of fire cover could be maintained with the removal of an On-Call appliance from the above three stations.

6.10.3 These three stations were identified as having very low response activity, the stations had been assessed on the basis of their contribution to overall Service resilience, their availability, crewing profile, the risk profile of the local area, incident activity and neighbouring fire station/appliance(s) capability.

6.10.4 Since the Rural Review, we have continually analysed the management of community risk of our fire stations and appliances through a number of strategic reviews and assessments, spanning 20 years of incident and mobilisations data analyses including:

1. Rural Review (2004/05 – 2008/09)
2. Operational Response Review (2009/10 – 2017/18)
3. 2023/24 Strategic Assessment of Risk (2018/19 – 2022/23)
4. Bespoke analysis (2022 – 2023 calendar years)

6.10.5 Mayfield, Herstmonceux and Burwash have consistently represented geographical areas that have low levels of response activity compared to other areas across ESFRS.

6.10.6 We have carried out a further high-level review of these three stations reviewing comparative data of all On-Call stations and sections. This review considered:

- Population and social demographic and built environment data;
- Current activity;
- Number of critical incidents within each station area;
- Time it takes for the fire appliance to attend incidents;
- Current fire appliance availability;
- Opportunities for securing firefighters within close proximity to the stations.

6.10.7 Herstmonceux and Mayfield have remained the 1st and 2nd quietest station areas, in terms of the average numbers of incidents occurring in those areas per year, with Burwash station area currently ranking as the 4th quietest station area.

6.10.8 In addition to the three stations above, Pevensey, Broad Oak and Forest Row stations currently have 100 or fewer incidents within their area per year. This would indicate, from a demand perspective, that the risk profile in these local areas itself is relatively low. However, we consider in the next section the wider contribution these stations make to overall resilience and service delivery.

6.10.9 Pevensey is currently ranked as the 3rd busiest on-call station mobilising to 188 incidents per year, 12.5% of incidents attended are within its own station area (down from 30% during the Rural Review). Whilst there are relatively few incidents within the Pevensey area, the significant proportion (43%) of Pevensey's mobilisations are into Eastbourne station area and, for this reason, has not been considered.

6.10.10 Broad Oak mobilises to 98 incidents per year – significantly more than Mayfield and Burwash but fewer than Herstmonceux (116). However, a greater proportion of incidents are attended within its own station area (33.8%) compared to Herstmonceux (7.3%). Following the removal of the second On-Call appliance from neighbouring Rye fire station, Broad Oak will be required to provide more support to Rye. as well as providing cover into Hastings and other easterly stations and for this reason, has not been considered.

6.10.11 Forest Row had the overall lowest number of mobilisations. However, its mobilisations to incidents have increased by 45% since the Rural Review, currently ranking 6th busiest out of the 12 On-Call stations and for this reason, has not been considered. Mayfield and Burwash's mobilisations to incidents have reduced by 70% and 64% respectively over the same period. Mayfield and Burwash are now the least-utilised fire appliances, with Mayfield mobilising to just 13 incidents in 2023, and Burwash mobilising to 29 incidents in 2023.

6.10.12 Herstmonceux has become an increasingly busier appliance, due largely to its increased availability over time and a corresponding decrease in the availability of the Hailsham appliance. Whilst there are few incidents occurring within the Herstmonceux station area, the appliance responds to a significantly higher number of incidents in the Hailsham station area and, since this falls within the South Wealden Growth Area, it is likely that this will continue to increase. For this reason, has not been considered.

6.10.13 Burwash has the most incidents occurring within the station area compared to the other two stations, particularly critical (life risk) incidents. The average attendance time is the highest of the three areas (approaching 19 minutes), due to its remoteness. The local appliance is, however, still the most likely to be the first arriving appliance. It mobilises to around the same number of incidents per year as Mayfield, a greater proportion of which are within its own station area. It performs more standby mobilisations (70%) than Mayfield, and a significant proportion of these support Battle. Availability remains a challenge, however, given its relative remoteness and prevalence of life-critical incidents, for this reason has not been considered.

6.10.14 Based on this high-level review, we are recommending that we undertake further analysis into the future of Mayfield fire station and its contribution to overall service risk reduction and resilience. Further comparative analysis would be required before offering any formal recommendations for change

6.10.15 The options appraisal should also set out proposed arrangements for maintaining public safety in the area currently served by Mayfield. This report and recommendations should be presented to Members for a decision in June 2024. It will also need to clearly set out any formal public consultation required before a final decision is taken.

7. CAPITAL PROGRAMME

7.1 The Capital Asset Strategy (CAS) reflects the Authority's identified capital investment requirements for the next five years. During 2024/25 further work will be undertaken to review the sustainability of the Capital Asset Strategy and its required funding.

7.2 An initial review of the Estates Capital Programme has been carried out in the light of the challenges experienced in its delivery since 2019 which have resulted in significant delay / slippage experienced and the impact of inflation on scheme costs which will make the Programme unaffordable in its current form. This has resulted in a two-phase approach:

- The agreement of short term priorities to the end of 2024/25 against the capacity and funding available for delivery
- A full review of the Estates Strategy, Design Guide and remaining capital programme in 2024/25
-

Further detail is provided in Appendix D.

A review of fleet lifing policy has identified the opportunity to extend the life of all light fleet from seven to nine years creating the opportunity to defer planned replacement during 2023/24 and 2024/25 and reducing the cost of the capital programme in the short term.

Additional investment of £1.5m is included across 2025/26 and 2026/27 for IT Flexi Cloud migration and £1.0m across 2026/27 and 2027/28 in anticipation of the replacement of the Vision system at Joint Fire Control.

7.3 As capital reserves are drawn down the Authority must now plan to enter into new borrowing over the life of the Strategy and the Treasury Management Strategy will carefully consider the options available. The Revenue impact of new borrowing is reflected in the MTFP from 2024/25 onwards. The MTFP includes the cost of financing capital expenditure with increases of £59,000 in 2024/25, £509,000 in 2025/26, £319,000 in 2026/27 and £91,000 in 2027/28 as borrowing is delayed due to slippage and reprofiling of the capital programme alongside increases in PWLB long term borrowing rate. As of 31 March 2024, the Authority's debt will be £9.417m and is forecast to stand at £20.843m by the end of the MTFP. The total revenue costs of borrowing (MRP (Minimum Revenue Provision) and interest) will increase by £0.863m to £1.823m over the MTFP.

7.4 In order to move towards a more sustainable approach to funding the capital programme it is proposed that for planning purposes revenue funding for the CAS is increased gradually over the life of the MTFP from £1.5m (2024/25) to £3.0m (2027/28). The principal being that normal replacement and maintenance of existing capital assets can wherever possible be funded from revenue and that additional borrowing is required only to fund new projects, where a business case has been made that takes into account the cost of borrowing against any savings.

Table 7: Change in Capital Investment 2023/24 to 2028/29

	Total resource	**2023/24**	**2024/25**	**2025/26**	***2026/27***	***2027/28***	***2028/29***
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	***£'000***	***£'000***
2045/25 Strategy							
Fleet	12,881	2,086	2,170	2,198	1,954	2,049	2,424
Property	17,013	2,670	6,779	3,708	2,538	613	705
IMD	2,500	0	0	1,250	1,250	0	0
JFC Vision Replacement	1,000	0	0	0	500	500	0

Total Cost	**33,394**	**4,756**	**8,949**	**7,156**	**6,242**	**3,162**	**3,129**
2023/24 Strategy							
Fleet	12,165	3,741	2,530	1,742	1,928	2,224	
Property	16,117	4,680	2,849	4,347	3,151	1,090	
IMD	0	0	0	0	0	0	
JFC Vision Replacement	0	0	0	0	0	0	
Total Cost	**28,282**	**8,421**	**5,379**	**6,089**	**5,079**	**3,314**	
Increase / (Decrease) in planned spend							
Fleet	716	(1,655)	(360)	456	26	(175)	*2,424*
Property	896	(2,010)	3,930	(639)	(613)	(477)	*705*
IMD	2,500	0	0	1,250	1,250	0	*0*
JFC Vision Replacement	1,000	0	0	0	500	500	*0*
Total Increase / (Decrease)	**5,112**	**(3,665)**	**3,570**	**1,067**	**1,163**	**(152)**	***3,129***

8. RESERVES & BALANCES

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

8.2 The Authority's Reserves Strategy is set out in Appendix E and sets out how the adequacy of the level of General Reserves has been assessed and the details of the level and purpose of the Authority's Earmarked Reserves. The format reflects the template developed by the NFCC Finance Co-ordination Committee to promote greater consistency across the sector.

8.3 The Authority holds a number of earmarked reserves to support the delivery of a range of strategies and projects. These are all planned to be consumed in the next year or two as these projects are delivered. The Improvement and Efficiency earmarked reserve is used to support various projects, invest to save and efficiency initiatives and stands at £234,000, with the balance fully committed in 2024/25. Further contributions of £200,000 a year from 2025/26 will be made to the Improvement and Efficiency reserve to support further work. The I.T. reserve is topped up annually from the revenue budget (by £592,000 a year from 2024/25) to deliver the IT strategy and a one-off additional payment of £250,000 is planned for 2025/26.

TABLE 8: Summary of Forecast Reserves

	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	765	0	0	0	0	0
Other Earmarked Reserves	6,086	3,557	3,269	1,878	2,345	2,812
Total Earmarked Reserves	**6,851**	**3,557**	**3,269**	**1,878**	**2,345**	**2,812**
General Fund	2,019	2 ,311	2,461	2,611	2,711	2,811
Capital Receipts	0	0	0	0	0	0
Total Useable Reserves	**8,870**	**5,868**	**5,730**	**4,489**	**5,056**	**5,623**

9. CHIEF FINANCE OFFICER STATEMENT

9.1 Under Section 25 of the Local Government Act 2003, the Assistant Director Resources and Treasurer as statutory Chief Finance Officer, is required to give Members an opinion on the robustness of the budget estimates and the adequacy of the Authority's proposed financial reserves.

9.2 ***Robustness of budget estimates*** – each year the Authority sets out a five-year Medium Term Finance Plan (MTFP) which reflects the financial impact of known and assumed pressures, commitments, bids and savings and compares this to estimated funding levels. Where actual figures are not known best estimates are used. The MTFP is developed to be realistic, deliverable and sustainable over the medium term. It reflects the strategic priorities set out in the Integrated Risk Management Plan 2020-25 and its supporting corporate strategies and plans. There is a robust and detailed approach to setting the budget that involves the Senior Leadership Team and their budget managers.

9.3 A balanced budget is proposed for 2024/25. It is, however, dependent on a significant level of one-off savings which is not a sustainable position. Therefore, the Authority must ensure that it has a sharp focus both on delivering the savings proposals included within the budget but also in identifying at the earliest opportunity sustainable permanent savings to enable the budget to be balanced for 2025/26 and over the medium term. This will mean that the Community Risk Management Plan (CRMP) will need to be developed in the context of the resources available to the Authority, and that the Authority will need to consider reductions in services and the affordability of its future investment plans, as well as further efficiencies.

9.4 The Authority maintains flexibility to manage in year pressures through its revenue contingency which is budgeted at £0.5m but this includes a general non pay inflation provision of 3% which is held centrally. The additional funding expected from the increase in the Funding Guarantee Grant has temporarily increased this to £1.016m for 2024/25.

9.5 The MTFP has been developed at a time when there is significant uncertainty around future funding beyond 2024/25, with another one-year financial settlement, a general election expected which could change policy and funding priorities at national level and plans for reform to local authority funding delayed but still expected. A range of other risks faced by the Authority which have potential financial implications is set out in paragraph 4.9. The Authority must continue to actively monitor and assess these risks and any other changes which may have a financial impact.

9.6 ***Financial Reserves*** - Every year the Authority's Reserves Strategy is reviewed and updated to ensure that it remains relevant and appropriate (see section 8 and Appendix E). The Authority has set a policy to maintain a minimum level of general reserves at 5% of the net revenue budget. The actual level is expected to be at 4.48% as of 31 March 2024 and additional contributions will be made through the MTFP to bring it back to 5% by 2026/27. The level of earmarked reserves has reduced in recent years as a result of planned investment, primarily in our fleet, estate and IT assets, and is forecast to reduce from £6.7m (31/03/24) to a low point of £2.7m (31/03/27). The Authority therefore has less financial flexibility through its reserves than in recent years to manage risk.

9.7 ***Assurance*** – the Authority has sound governance, risk management and internal control arrangements, as set out in its Annual Governance Statement and gains assurance from the work carried out by internal and external audit. His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carried out a full inspection during 2022/23 and concluded that the Authority is good at using its resources efficiently, has good financial management in place and some assurance measures to keep control of spending. Scenario planning is used effectively so that strategic plans are robust.

9.8 In my view as Treasurer, the estimates used for the purposes of calculating the budget, revenue and capital, have been produced in a robust and transparent way and the proposed financial reserves are consistent with Fire Authority policy and are both appropriate and necessary.

10. EQUALITY IMPACT ASSESSMENT

10.1 Following the introduction of the Equality Act 2010 the Authority must, in the exercise of its functions, including the setting of its Revenue Budget and the taking of decisions on savings proposals, have due regard to its duties under the Act and in relation to certain protected characteristics. This means that Members must understand the consequences of the decisions they take for those with the relevant protected characteristics and consider these proportionately alongside other relevant factors.

10.2 All changes to strategy and policy and new projects are subject to individual Equality Impact Assessments. However a high-level EIA of the budget proposals has been carried out and is attached at Appendix I. The majority of efficiencies and savings proposals in the MTFP do not impact directly on frontline services the exception being the IRMP and associated changes to operational policies and procedures and Trances 1 & 2 which have been subject to a separate EIA.

APPENDIX A

MEDIUM TERM FINANCIAL PLAN 2024/25 – 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	**52,297**	**50,586**	**51,328**	**51,680**	**52,794**
Less					
Specific grants	(1,882)	(1,834)	(1,786)	(1,786)	(1,786)
Other income	(331)	(349)	(356)	(362)	(369)
Total income	**(2,213)**	**(2,183)**	**(2,142)**	**(2,148)**	**(2,155)**
Net Service Budget	**50,084**	**48,403**	**49,186**	**49,532**	**50,639**
Capital financing costs less interest receivable	660	1,419	1,778	1,868	1,813
Capital expenditure from the Revenue Account	0	0	0	0	0
Transferred from reserves	(3,235)	(802)	(727)	0	0
Transferred to reserves	2,484	3,267	3,767	3,967	3,917
Total Net Expenditure	**49,992**	**52,287**	**54,003**	**55,367**	**56,369**
Net Budget brought forward	**45,057**	**49,992**	**52,287**	**54,003**	**55,367**
Transfer of pension grant to RSG	1,735	0	0	0	0
Unavoidable cost pressures					
Pay inflation	2,192	826	714	728	750
Price inflation	385	271	290	291	276
Total inflation	**2,577**	**1,096**	**1,004**	**1,018**	**1,026**
Changes in Capital Financing	59	509	319	91	(55)
Budget commitments	1,812	893	427	280	56
Savings approved	(1,883)	(203)	(35)	(25)	(25)
Reserve Funding	636	0	0	0	0
Total Net Expenditure	**49,992**	**52,287**	**54,003**	**55,367**	**56,369**
Sources of Funding	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Locally Retained Business Rates	2,582	2,634	2,686	2,740	2,795
Business Rate Top Up	5,789	5,905	6,023	6,143	6,266
Business Rates Baseline	**8,371**	**8,538**	**8,709**	**8,883**	**9,061**
Revenue Support Grant	5,639	5,752	5,867	5,984	6,104
Settlement Funding Assessment	**14,010**	**14,290**	**14,576**	**14,868**	**15,165**
Service Grant Allocation	49	49	49	49	49
Minimum Funding Guarantee	1,165	0	0	0	0
Section 31 Grant Business Rates adjustment	2,231	2,276	2,321	2,368	2,415
	17,455	**16,615**	**16,946**	**17,284**	**17,629**
Collection Fund (Deficit) / Surplus	54	0	0	0	0
Council Tax Requirement	**32,483**	**33,461**	**34,468**	**35,507**	**36,576**
Total Resources Available	**49,992**	**50,076**	**51,414**	**52,791**	**54,205**
Additional Savings Required / (surplus) - Mid Range	**(0)**	**2,211**	**2,589**	**2,576**	**2,165**
Additional Savings Required / (surplus) - Higher Range		**1,884**	**1,911**	**1,524**	**712**
Additional Savings Required / (surplus) - Lower Range		**2,536**	**3,245**	**3,570**	**3,503**

APPENDIX B

REVENUE BUDGET OBJECTIVE SUMMARY

	2023/24 Original Estimate £'000	2024/25 Original Estimate £'000
People Services	4,363	4,676
Resources/Treasurer	9,089	12,053
Planning and Improvement	1,555	1,748
Total Deputy Chief Fire Officer	**15,007**	**18,477**
Safer Communities	23,490	25,164
Operational Support	4,582	5,493
Total Assistant Chief Fire Officer	**28,072**	**30,657**
CFO Staff	844	928
Treasury Management	755	664
Non delegated costs	(1,052)	(998)
Corporate Contingency	533	1.015
Transfers from Reserves	(1,062)	(3,235)
Transfers to Reserves	1,961	2,484
Total Corporate	**1,979**	**858**
Total Net Expenditure	**45,058**	**49,992**

APPENDIX B cont.

REVENUE BUDGET SUBJECTIVE SUMMARY

	2023/24 Original Estimate £'000	2024/25 Original Estimate £'000
Salaries, Allowances and On-costs	32,888	35,759
Training Expenses	946	557
Other Employees Costs	43	118
Employee Costs	**33,667**	**36,434**
Repair, Maintenance and Other Costs	1,455	1,406
Utility Costs	1,780	1,485
Premises Costs	**3,235**	**2,891**
Vehicle Repairs and Running costs	1,063	1,048
Travel Allowances and Expenses	84	65
Transport Costs	**1,147**	**1,113**
Equipment and Supplies	1,428	1,613
Fees and Services	4,916	7,968
Communications and Computing	1,951	1,987
Other Supplies and Services	266	290
Supplies and Services	**7,841**	**11,858**
Sums set aside from revenue	395	379
Interest Payments	505	581
Capital Financing	**900**	**960**
Grants and Contributions	(2,235)	(1,882)
Interest Received	(150)	(300)
Other Income	(256)	(311)
Income	**(2,641)**	**(2,513)**
Transfers from reserves	(1,062)	(3,235)
Transfers to reserves	1,961	2,484
Total Net Expenditure	**45,058**	**49,992**
Financed By:		
Council Tax	(31,093)	(32,483)
Business Rates	(7,776)	(8,371)
Revenue Support Grant	(3,662)	(5,639)
Service Grant Allocation	(302)	(49)
CSP Minimum Funding Guarantee	(106)	(1,165)
S31 Grants	(2,063)	(2,231)
Collection Fund Surplus/Deficit	(56)	(54)
Total Funding	**(45,058)**	**(49,992)**

APPENDIX C

FEES AND CHARGES

WITH EFFECT FROM 1 APRIL 2024

Fee	**Existing Fees 2023/24 £**	**New Fees 2024/25 £**
The hiring of a major pumping appliance with crew per hour	337	361
The hiring of other pumping vehicles with crew per hour	272	291
The hire of hydraulic platforms or turntable ladders with crew per hour	365	390
Large animal rescue per hour	337	361
Primary Authority Scheme per hour (fees set by Business Advice and Support Partnership)	82	95
Dry Riser (subsequent test at the owner's request):		
First Dry Riser	253	270
Additional Dry Risers	165	176
Interviews: *		
- Insurance co. etc.	165	176
- After two hours	107	115
Copy of Petroleum Licences *	41	43
Copy plans *	46	49
Standby at Venue	337	361
Fire Investigation Report	362	389
Chemical Protection Suit	189	203
Commercial Training Customers Site (per session up to 20 delegates):		
- Fire Marshal / Warden training (4 hours)	664	712
- Fire Extinguisher training (3 hours)	664	712
- Fire Awareness (3 hours)	664	712
Commercial Training One day course (per delegate)	207	221
Commercial Training Fire Safety at work (1 day, per delegate)	198	211
Commercial Training Fire Talk (without practical, 1 to 3 hours)	388	416
Inspection of Plans for Marriage Act 1994 *	139	148
Environmental search fees *	131	140

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

APPENDIX D

MEDIUM TERM CAPITAL STRATEGY 2024/25 - 2028/29

Overview

The Medium Term Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan (IRMP). It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton & Hove. Where decisions have already been taken to change the service (including IRMP), which have capital investment implications, these are reflected in this strategy.

The main areas covered within the strategy are summarised below.

Estates Strategy- Capital Programme
An initial review of the Estates Capital Programme has been carried out in the light of the challenges experienced in its delivery since 2019 which have resulted in significant delay / slippage and the impact of inflation on scheme costs which are likely to make the Programme unaffordable in its current form. This has resulted in a two-phase approach:

- The agreement of short-term priorities to the end of 2024/25 against the capacity and funding available for delivery
- A full review of the Estates Strategy, Design Guide and remaining capital programme in 2024/25

The agreed priorities to the end of 2024/25 are:

- Preston Circus
- Fort Rd Engineering Workshop
- Design Guide Refurbishments at Bohemia Rd, Eastbourne & Roedean
- Maintenance of Live Fire Training Units (LFTU) at Service Training Centre (STC)
- Provision of wet training capabilities at 3 station-based BA Chambers

Planned major schemes to deliver new LFTU and Multi-Purpose Training Hubs will be deferred until after the completion of the Strategic Review of Training with work not starting until 2025/26 at the earliest. This will now include the development of a masterplan for STC.

All other planned Design Guide Refurbishments (at Day Crew and Retained Stations) will be deferred until after a full review of the Estates Strategy, Design Guide and Estates Capital Programme in 2024/25 with the expectation that on grounds of affordability and deliverability the programme will be re-profiled for delivery over a longer period and will consider alternative and more cost effective approaches to achieving improved management of contaminants.

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

Estates Strategy– General Schemes

As noted above further work on Day Crew and On Call stations will commence after the review of the Estates Strategy with priority likely to be given the CIL funded projects at Seaford and Barcombe.

Some capital investment may be brought forward at specific stations where the provision of gender appropriate welfare facilities is a priority.

Estates Strategy – Strategic Schemes

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

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

Building on lessons learned from the first project at Hove a revised procurement strategy has been developed to expedite the delivery of the remaining Whole Time Stations during 2024/25.

The new Access Control installation project has taken longer than expected to get under contract with works expected to start at the end of 2023/24 and conclude early in 2024/25. This will provide enhanced security controls across our estate and extends the provision currently in place at Saxon House.

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

Estates Strategy – Shared Investment Schemes

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

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

Integrated Transport Function (ITF) – South East Hub Workshop

The Authority has approved a new scheme for the refurbishment of the vacant Fort Rd site in Newhaven into an Engineering Workshop as part of the wider ITF collaboration. This £2.059m scheme will be funded in part by Fire Transformation Fund Grant of £1.5m. Subject to planning permission works are expected to start in May 2024 and be completed by March 2025. Associated betterment works at the smaller vehicle workshops is expected to be complete by the end of 2023/24.

Preston Circus Fire Station

A main contractor has been appointed through the SCAPE framework to design and build the refurbishment works. Additional funding of £1.6m has been agreed taking the total scheme cost to £4.9m. A decant plan to move crews and appliances to Dyke Rd Barracks has also been agreed. This will enable works to commence before the end of 2023/24 with completion expected in the autumn of 2024.

Fleet and Equipment Strategy

The Authority has a rolling programme of replacing its vehicle fleet in line with its agreed lifing policy. In September 2023 SLT agreed to extend the replacement cycle of light fleet (cars and vans) from 7 to 9 years.

The fleet and equipment strategy encompasses fire appliances (approximately three each year), aerial appliances, ancillary vehicles and the light fleet. An interim review of the fleet replacement programme was carried out in 2018/19 and reduced the total number of appliances required by three. As a result of the IRMP it was agreed to remove the Water tenders from 5 day crewed stations including 3 water tenders from Rye, Battle and Lewes. Eastbourne has one additional appliance introduced called a P2 (Papa 2), and there are plans to introduce a P2 at Hastings. The three Appliances from Day crewed stations Bexhill, Newhaven & Crowborough would become operational spares for use across the entire county to maintain resilience in ensuring the risk profile of having 18 ORP pumps is met. As a result of the IRMP it was agreed not to proceed with the flexible fleet review and it would remain with the fire appliance single type design.

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

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

The Authority has taken on a number of national resilience assets and receives a New Burdens grant for their maintenance. Future requirements for these assets which reached end of life in 2022/23 is being reviewed nationally by the NFCC and the Home Office. Once the outcome of the review is known and the Government confirms funding for new assets a review of local need for any assets where replacement is not funded by Government will be carried out.

Most equipment replacement is funded through our revenue budget; however, schemes can be considered for capital funding where they meet certain criteria. A business case to SLT will be prepared to detail the new policy for capitalising equipment, the pros and cons of adopting this policy and the net financial impact on both capital and revenue budgets (increase in the cost of borrowing, savings on the revenue budget etc.). A scheme for replacement of our existing Breathing Apparatus and ancillary equipment is included to the value of £1m over 2025/26 and 2026/27. This is being managed as a joint project through the 4F group (East & West Sussex, Surrey and Kent FRS (Fire and Rescue Service).

Detailed strategies for Estates, and Fleet and Equipment are available as separate documents.

Funding

The Capital Strategy is funded from a number of sources which are described below. In order to ensure the Strategy is sustainable and affordable we aim to maximise external funding, where it is available, so as to reduce the pressure on our own resources. This is becoming increasingly important in the light both of pressures on our revenue budget and the ending of general capital grant from central government.

- **Capital Grant**

General capital grant allocations from central government for fire authorities ended in 2014/15 and grant funding thereafter is on a wholly bid-for basis. The Authority has not submitted any bids for the duration of this Strategy. However, an existing allocation of £1.5m from the Fire Transformation Grant (ITF Project) will be applied to the Engineering Workshop project. The Authority has been successful in a bid for CIL grant funding from Lewes District Council to cover 50% of the cost of Design Guide works at Barcombe and Seaford Fire Stations.

- **Partner Contributions**

The Authority continues to explore the potential for collaborative working with other public sector partners, particularly other emergency services. This includes capital projects, and where the Authority is lead body for a scheme this may lead to partners making contributions towards the capital costs.

- **Capital Receipts**

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets.

Historic capital receipts from the sale of service houses and 20 Upperton Road have been used to fund the Capital Strategy. With no further property assets identified as surplus, capital receipts are likely to be small amounts for the sale of appliances. It is the Authority’s current policy to use capital receipts to fund the capital programme before using the Capital Programme Reserve (which is a revenue reserve).

- **Revenue Contributions**

The Authority can make revenue contributions to the cost of its capital expenditure either direct from its revenue budget or from reserves earmarked for capital schemes. As of 31 March 2024, it is estimated that there will be a balance of £0.765m in the Capital Programme Reserve (CPR). The Authority takes the opportunity to set aside additional funding from its revenue budget to help fund the costs of the Capital Programme when it can, in the absence of Government grant. An additional contribution is planned of £1.5m 2024/25 onwards, increasing over the life of the MTFP to £3.0m.

- **Community Infrastructure Levy (CIL)**

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

- **Prudential Borrowing**

The Authority can use prudential borrowing to fund capital expenditure spreading the cost over the life of the asset. Overall, our total borrowing must be sustainable and affordable. Borrowing commits the Authority to a long term cost which has implications for our revenue budget. Broadly speaking, every £1m of additional borrowing would add £85,000,000 - £95,000 of financing costs to the Authority's revenue budget. As capital related reserves are spent down to fund the Capital Strategy, the Authority will need to recommence borrowing to fund capital investment. The borrowing needed to finance the Capital Asset Strategy over the next five years is £14.424m and this has been fed into the MTFP and our future borrowing costs.

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

Capital Programme Expenditure 2023-24 to 2028-29	Total Budget	Total Previous Years	Estimated Spend 2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Remaing Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Property									
Shared Investment Schemes									
Roedean Betterment	25		25						-
Bohemia Road Betterment	95		60	35					35
Fort Road - Engineering Workshop	2,836	23	188	2,625					2,625
External Funding - ITF Grants	(1,500)			(1,500)					(1,500)
Preston Circus	4,946	392	1,673	2,881					2,881
Total Shared Investment Schemes	**6,402**	**415**	**1,946**	**4,041**	**-**	**-**	**-**	**-**	**4,041**
Strategic Schemes									
- Replacement Fuel Tanks	492	450	42						-
- Partner contribution	(292)	(292)							-
- Replacement fuel tanks net cost	200	158	42	-	-	-			-
Design Guide	355	355							-
Hove	634	539	9	86					86
Roedean	503	53	2	448					448
Eastbourne	633	97		536					536
Bohemia Road	605	46	212	347					347
Security	386	95	140	151					151
Sustainability	221	22	10	189					189
MPTH	399	399							-
Eastbourne MPTH	260	26	44	60		130			190
Training Centre MPTH	308	34	16		50	208			258
Hove MPTH	278	24	40	50		164			214
Bohemia Road MPTH	258	26	43	50		139			189
Live Fire Training	4,000	49	34	160	2,750	1,007			3,917
Total Strategic Schemes	**9,040**	**1,923**	**592**	**2,077**	**2,800**	**1,648**	**-**	**-**	**6,525**
General Schemes	1,182	832		350					350
Phase 1 General Costs	30	30							-
Seaford CIL	296	3		7		86	200		293
Seaford CIL partner Contribution	(133)						(133)		(133)
Barcombe CIL	392	4	1		100	287			387
Barcombe CIL Partner Contribution	(156)					(156)			(156)
The Ridge	408						20	388	408
Hailsham	184	19					18	147	165
Rye	64	12	25	13				14	27
Battle	57	1						56	56
Heathfield	19	9	10						-
Uckfield	108	8						100	100
Lewes	576	6		80		190	300		570
Maresfield	30			30					30
Seaford HVP Alterations	94	94							-
Total General Schemes	**3,151**	**1,018**	**36**	**480**	**100**	**407**	**405**	**705**	**2,097**
Bay Doors, Floors, IT	1,505	7	96	181	808	205	208		1,402
Training Towers	279	1				278			278
Total Property	**20,377**	**3,364**	**2,670**	**6,779**	**3,708**	**2,538**	**613**	**705**	**14,343**
Vehicle Cameras	136		136						-
Grant Funds	(136)		(136)						-
Breathing Apparatus	1,000				500	500			1,000
Breathing Apparatus Washing Machines	85			85					85
									-
Aerials	1,857	908	949						-
Aerial Rescue Pump	22	22							-
Fire Appliances	10,031	4,158	554	904	887	932	1,122	1,474	5,319
Ancillary Vehicles	2,821	774	474	685	811		77		1,573
Cars	2,550	861	35			339	644	671	1,654
Vans	2,182	1,018		496		183	206	279	1,164
Equipment	35		35						-
Employee Cost Allocation	39		39						-
Total Fleet and Equipment	**16,228**	**7,741**	**2,086**	**2,170**	**2,198**	**1,954**	**2,049**	**2,424**	**10,795**
JFC Vision Replacement	1,000					**500**	**500**		1,000
ITG Flexi Cloud	2,500				**1,250**	**1,250**			2,500
Total Expenditure	**40,105**	**11,105**	**4,756**	**8,949**	**7,156**	**6,242**	**3,162**	**3,129**	**28,638**

MEDIUM TERM CAPITAL STRATEGY 2024/25 to 2028/29 – FUNDING

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
JFC				500	500		1,000
ITG			1,250	1,250			2,500
Fleet and Equipment	2,086	2,170	2,198	1,954	2,049	2,424	10,795
Estates	2,670	6,779	3,708	2,538	613	705	14,343
Original Capital Programme	**4,756**	**8,949**	**7,156**	**6,242**	**3,162**	**3,129**	**28,638**
Funded by:							
Capital Receipts Reserve	626	-	-	-	-	-	-
Capital Programme Reserve	4,130	2,265	2,000	2,500	3,000	3,000	12,765
Business Rates Pool Reserve				1,200		-	1,200
New Borrowing / Need to Borrow		6,684	5,156	2,542	162	129	14,673
Updated Capital Programme	**4,756**	**8,949**	**7,156**	**6,242**	**3,162**	**3,129**	**28,638**

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Reserve						
Opening Balance	**520**	**0**	**0**	**0**	**0**	**0**
Transfers In	106	0	0	0	0	0
Transfers Out	(626)	0	0	0	0	0
Closing Balance	**0**	**0**	**0**	**0**	**0**	**0**

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve						
Opening Balance	**3,895**	**765**	**-**	**-**	**-**	
Transfers In	1,000	1,500	2,000	2,500	3,000	3,000
Transfers Out	(4,130)	(2,265)	(2,000)	(2,500)	(3,000)	(3,000)
Closing Balance	**765**	**0**	**0**	**0**	**0**	**0**

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Pool*						
Opening Balance	**1,093**	**1,520**	**1,420**	**1,320**	**20**	**20**
Transfers In	427	0	0	0	0	0
Transfers Out	0	(100)	(100)	(1,300)	0	0
Closing Balance	**1,520**	**1,420**	**1,320**	**20**	**20**	**20**

*Transfers out of £100k 2024/25, 2025/26 and 2026/27 are not to fund capital expenditure

Reserve Strategy

Introduction and Background

Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.

Best practice on the use and management of reserves and balances is provided by CIPFA Bulletin 13 – Local Authority Reserves and Balances which was issued in March 2023 and replaces the Local Authority Accounting Panel (LAAP) Bulletin 99 - 'Local Authority Reserves and Balances'.

In May 2018 the Government published the New Fire and Rescue Services Framework which introduced a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The Reserves Strategy can form part of the Medium Term Financial Plan or be a stand-alone document.

In reviewing medium-term financial plans and preparing annual budgets, the Authority will consider the establishment and maintenance of reserves for the general fund. There is no statutory minimum or maximum level of reserves. The nature and level of reserves will be determined formally by the Authority, informed by the judgement and advice of the Assistant Director Resources / Treasurer. This will be based on an assessment of what is adequate and necessary in the light of the circumstances facing the Authority.

Strategic Context

There are a number of reasons why a Local Authority might hold reserves, these include to:

a) Mitigate potential future risks such as increased demand and costs;
b) Help absorb the costs of future liabilities;
c) Temporarily plug a funding gap should resources be reduced suddenly;
d) Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on council tax;
e) Spread the cost of large-scale projects which span a number of years.

Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

Long-Term Sustainability - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant uncertainty about its grant funding over the medium term. Due to the fact that funding for future Capital Projects and the IT Strategy is held as Earmarked Reserves, the current overall historically high level of reserves held by the Authority will reduce significantly as these programmes are delivered.

Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

There are two different types of reserve, and these are:

Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

In addition to reserves the Authority may also hold provisions which can be defined as follows: a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

Unusable Reserves

The Authority will also maintain a number of other reserves that arise out of the interaction between legislation and proper accounting practices. These reserves, which are not resource-backed, will be specified in the annual Statement of Accounts.

Governance

The Authority will agree the level of General Reserves and the purpose and level of Earmarked Reserves.

Business cases for the establishment of new Earmarked Reserves will be subject to initial consideration by the Senior Leadership Team.

The Assistant Director Resources / Treasurer shall advise SLT and the Authority on the adequacy of both General and Earmarked Reserves, approve any drawdown from reserves and will monitor and report upon their use through regular financial monitoring reports.

Risk Assessment to Determine the Adequacy of the General Reserve

A well-managed multipurpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, the Authority has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.

The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for.

The Authority currently sets its policy for the General Reserve at a minimum of 5% of its net revenue budget. The detailed risk assessment is attached at Annexe A and indicates that the overall assessed risk has not changed since last year. Given that not all assessed risks are likely to crystallise in a single year it is deemed appropriate to maintain the minimum level of 5%. Capital Reserves are used to support the financing of the Capital Asset Strategy and will be exhausted by the end of 2023/24.

At the start of 2024/25, the General Reserve is forecast to represent 4.48% of the Authority's net revenue budget which is a negative variance. Due to varying revenue budgets, maintaining a consistent level of General Reserve will result in the percentage varying over time. Transfers in or out of the General Reserve to conform to the 5% indicator will be considered annually as part of the budget setting process.

The prudential indicator is a useful control measure but is a rudimentary way of assessing the adequacy of the general reserve and a more meaningful approach is to develop a risk assessment. The Authority will consider both measures as part of its annual reserve strategy.

A risk assessment of the adequacy of the Authority's General Reserve is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment for the coming financial year, 2024/25, has been prepared as part of the budget setting process and is shown in Annexe A. The impact and scale of potential losses has been estimated to calculate a potential net financial impact of £2.488m. The current policy minimum of 5% equates to £2.253m. At the start of 2024/25 the General Reserve is expected to be £2.019m and it is planned to increase by £0.592m over 2024/25, 2025/26 and 2026/27 to return the balance to £2.611m by 31 March 2027 and meet the policy minimum by this date.

Annual Review of Earmarked Reserves

The Authority has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the Authority is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy. When the Authority endorses the Reserves Strategy for publication it will be made available on its website.

A commentary on the purpose and planned use of each of the existing earmarked reserves is detailed below and a full listing together with phasing of drawdown is set out in Annexe B:

- ***Business Rate Pool***: This reserve holds the balance of income from the East Sussex Business Rate Pool which is to be used to fund Business Safety initiatives, in support of the Pool's aim to promote economic growth. The Pool has been utilised to support investment in the Authority's protection (business safety) services. It is intended the pool will be used to support the capital programme and reduce future borrowing need and this is included within this report and the MTFP. The balance on this reserve includes accruals for 2020/21, 2021/22 and 2022/23 as delays in completing the external audits for a number of our billing authorities has delayed the distribution of the cash surpluses for these years.

- ***ESMCP Readiness***: This is grant funding from central government is ring-fenced to fund the IT upgrades to mobilising systems that are required as part of the Emergency Services Mobile Communications Project (ESMCP). The timing of drawdown is dependent on national programme timescales (which have been significantly delayed). Further discussion with the Home Office will be required to determine use of the grant as it was originally intended in part to fund improvements jointly for East and West Sussex through our joint control service which ended 4 December 2019.

- ***ESMCP Regional Programme***: The Authority acts as regional lead for ESCMP implementation and holds grant funding for regional and local resourcing on behalf partner FRAs (Fire and Rescue Authorities). The actual drawdown is dependent on regional business cases made to the Home Office.

- ***Improvement & Efficiency***: This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver efficiencies and respond to priority areas for service improvement. As part of budget setting for 2024/25 this reserve has now been fully committed primarily to support the Data Management Project. Planned top ups of the reserve have been delayed until 2025/26 (£0.2m pa).

- ***Insurance***: The Authority has joined the Fire and Rescue Indemnity Company (FRIC) from 1 April 2019 to both improve its risk management practice and provide insurance cover. This reserve is intended to cover the financial costs of: in-year supplementary payments to the FRIC pool should these be necessary; additional costs from the increase in some deductibles; and investment in pro-active risk management initiatives resulting from best practice benchmarking through FRIC.

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

- ***Mobilising Strategy Reserve***: To facilitate to delivery of the Authority's mobilising strategy – this reserve holds funding set aside to support the Authority's share of future investment in the Joint Fire Control Roadmap currently £50,000 pa, rising to £75,000 pa from 2025/26. Drawdown is awaiting the agreement of the Roadmap by the Joint Strategic Board.

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

- ***BRR – Protection Uplift***: This Reserve holds the balance of grant received from Government for investment in protection services as a result of the Moore Bick and Hackett inquiries.

- ***BRR - Accreditation & RPL:*** This Reserve holds the balance of the grant received to support accreditation and recognition of prior learning related to training for protection.

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

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

- ***Carry Forwards***: Comprises the balance of the revenue budget underspends from previous financial years which it has been agreed to carry forward to fund specific expenditure. The balance of this reserve will be used in 2024/25.

- ***Cadets***: Holds donations made to support the costs of the Authority's Cadet Scheme.

- ***Future Foundation***: Funding for the Future Foundations review of the Authority's support service structures and ways of working, including any costs of implementation.

- ***Capital Programme***: To support the provision of the capital infrastructure required to deliver the Authority's strategic priorities. There has been no core capital grant from Government since 2014/15 so the Authority must fund its own investment in capital assets. £1.5m is paid into this reserve from the Authority's revenue budget in 2024/25. The MTFP proposes to increase the payment into the Capital Programme Reserve in stages of £0.5m to £3.0m by 2027/28. This is part of a strategy to achieve greater financial sustainability by revenue funding the replacement and maintenance of existing assets and seeking only to borrow where a new capital asset in proposed.

- ***Capital Receipts***: Capital receipts not yet applied to capital expenditure. Under statute capital receipts may only be used to finance capital expenditure. The Authority does not currently plan to make any further disposals of property but will generate capital receipts for any vehicles disposed of for more than £10,000. The reserve is expected to be fully spent at the end of 2023/24.

Together the use of the Capital Programme Reserve and the Capital Receipts Reserve, along with other revenue funding, grants and contributions from partners has meant that the Authority has been able to finance its capital investment requirements without recourse to external borrowing since 2008.

Annexe A – Risk Assessment of the Adequacy of General Reserves

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	£m
Abnormal weather conditions	A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs (retained pay, overtime) and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support qualifying expenditure in excess of 2% of Revenue Budget	Medium	0.300	0.150
Pension Costs	With an ageing workforce and the increase in the normal retirement age the risk of ill health retirements is increasing and may exceed the existing budget provision.	Medium	0.100	0.050
External contracts	The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. Based on aged debtor analysis the Authority does not currently hold a bad debt provision to fund a loss from a major contract. Additionally, Public Sector procurement processes and contracts are coming under increasing scrutiny and could be open to legal challenge.	Low	0.500	0.125
Capital Programme / Projects	The Authority has a range of both revenue and capital projects planned for the next five years - there is the risk of cost overruns for a variety of reasons e.g. unforeseen ground conditions, planning approvals, technology risk, supply chain disruption.	Medium	1.000	0.500

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	**£m**
Loss of income	Income targets are set within the budget for a number of functions, for example commercial and service training, and the Authority also receives income from the investment of its cash balances where rates achieved remain low. Amounts invested will reduce significantly over the next few years. Although the amounts involved are small relative to the overall budget, they continue to present a risk in year	Low	0.250	0.063
Delivery of savings	The Authority is developing its savings plans for the next 5 years and has already agreed a range of measures for implementation. However, it is possible that implementation may take longer than anticipated or savings may be less than originally estimated, leading to an in-year budget pressure.	Low	0.500	0.125
Legal Issues	As a service provider and an employer the Authority faces the potential that legal action could be taken against it on a range of grounds, including equal pay, discrimination, unfair dismissal and corporate negligence / manslaughter. Awards and legal costs in such cases can be significant	Low	1.000	0.250
Service delivery failure	Given the nature of the work of the Authority there is a possibility that it could suffer a major health and safety or environmental failure.	Low	1.000	0.250
System/ Infrastructure Issues	In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required within short time constraints.	Low	0.500	0.125

Risk type	RISK	Likelihood	Impact	Net Impact
			£m	**£m**
Funding Issues	The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority.	Medium	0.500	0.250
Inflation	Whilst allowances for inflation have been made within specific budget lines, the uncertainty surrounding the UK economy might lead to increased inflation. This may include the impact of new tariffs on the cost of goods purchased from the EU for example vehicle chassis.	Medium	0.200	0.100
Employment Issues	Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. Prolonged Action or issues would require funding from Reserves. This risk also addresses the potential for actual pay awards to be higher than that budgeted.	Medium	1.000	0.500
Estimated Reserve Requirement				**2.488**

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

Description	2024/25 Opening Balance 01/04/23 £'000	2024/25 Planned Transfers In £'000	2024/25 Planned Transfers Out £'000	Projected Closing Balance 31/03/25 £'000	Projected Closing Balance 31/03/26 £'000	Projected Closing Balance 31/03/27 £'000	Projected Closing Balance 31/03/28 £'000	Projected Closing Balance 31/03/29 £'000
Earmarked Reserves								
Improvement & Efficiency*	365	0	(365)	0	100	200	300	400
Insurance	249	0	0	249	249	249	249	249
ESMCP ESFRS readiness	1,425	0	0	1,425	712	0	0	0
ESMCP Regional Programme	60	0	0	60	0	0	0	0
BRR – Accreditation & RPL	16	0	(8)	8	0	0	0	0
BRR - Protection Uplift	22	0	(22)	0	0	0	0	0
New Dimensions	21	0	(21)	0	0	0	0	0
Responding to New Risks	1	0	(1)	0	0	0	0	0
IT Strategy*	2,074	642	(2,614)	102	555	1,082	1,374	1,666
People Strategy	35	0	0	35	0	0	0	0
Business Rate Pool	1,520	0	(100)	1,420	1,320	20	20	20
Carry Forwards	18	0	(18)	0	0	0	0	0
Pensions Administration	144	0	(67)	77	77	77	77	77
Mobilising Strategy	50	50	0	100	175	250	325	400

Cadets	5	0	(5)	0	0	0	0	0
Future Foundations	81	0	0	0	0	0	0	0
Capital Programme Reserve	765	1,500	(2,265)	0	0	0	0	0
Total Earmarked Reserves	**6,851**	**2,192**	**(5,486)**	**3,557**	**3,269**	**1,878**	**2,345**	**2,812**
General Fund	2,019	292	0	2,311	2,461	2,611	2,711	2,811
Total Revenue Reserves	**8,870**	**2,484**	**(5,486)**	**5,868**	**5,730**	**4,489**	**5,056**	**5,623**
Capital Receipts Reserve	0	0	0	0	0	0	0	0
Total Capital Reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Usable Reserves	**8,870**	**2,484**	**(5,486)**	**5,868**	**5,730**	**4,489**	**5,056**	**5,623**

- * Improvement and Efficiency and IT Strategy reserve include assumed drawdowns from 2025/26

APPENDIX F

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2024/25
REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

	£	**£**
NET BUDGET REQUIREMENT		**49,992,000**
Forecast Business Rates retained	2,582,000	
Top Up grant	5,789,000	
Business Rates Baseline	**8,371,000**	
Add Revenue Support Grant	5,639,000	
Settlement Funding Assessment	**14,010,000**	
Add Service Grant Allocation	49,000	
Add CSP Minimum Funding Guarantee	1,165,000	
Section 31 Grant Business Rates adjustment	2,231,000	
Previous Year's Surpluses/(Deficits)	54,000	
Total Council Tax required		**32,483,000**
Tax base	**302,199**	
Basic Council Tax (Band D equivalent)		**107.49**

Basic Council Tax from above calculation		**Council Tax**
Band A	**6/9**	**71.66**
Band B	**7/9**	**83.60**
Band C	**8/9**	**95.55**
Band D	**9/9**	**107.49**
Band E	**11/9**	**131.38**
Band F	**13/9**	**155.26**
Band G	**15/9**	**179.15**
Band H	**18/9**	**214.98**

	Tax Base	**Precept**
Brighton and Hove	**93,574.40**	**10,058,312**
Eastbourne	**35,687.20**	**3,836,017**
Hastings	**26,728.00**	**2,872,993**
Lewes	**38,538.30**	**4,142,482**
Rother	**39,197.50**	**4,213,339**
Wealden	**68,474.00**	**7,360,270**
	302,199.40	**32,483,414**

APPENDIX G

FUNDED STAFFING ESTABLISHMENT

	FTE @ 1/4/2024	FTE @ 1/4/2025
Principal Officers	3	3
Wholetime Firefighter	326	326
RDS firefighter Units	176	176
Control Room Staff	5	5
Support staff	158.29	156.29

***Establishment changes as a result of Future Foundations/Tranche 3 are not reflected in the table above**

APPENDIX H

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

Standalone FRA	CSP 2023-24	CSP 2024-25	Change %
Avon	53.5	56.0	4.6%
Bedfordshire	36.9	38.7	4.9%
Berkshire	43.0	45.2	4.9%
Buckinghamshire	35.3	37.0	5.0%
Cambridgeshire	36.3	38.1	4.9%
Cheshire	52.9	55.5	4.9%
Cleveland	33.2	34.6	4.2%
Derbyshire	46.5	48.7	4.7%
Devon & Somerset	92.5	97.0	4.9%
Dorset & Wiltshire	68.4	71.8	5.0%
Durham	35.2	36.8	4.7%
East Sussex	46.3	48.6	4.9%
Essex	87.1	91.20	4.9%
Hampshire & Isle of Wight	91.2	95.5	4.8%
Hereford & Worcester	38.5	40.4	5.0%
Humberside	54.0	56.4	4.4%
Kent	87.3	91.5	4.9%
Lancashire	70.2	73.3	4.5%
Leicestershire	45.0	47.1	4.7%
Merseyside	75.4	78.6	4.3%
Northamptonshire	29.3	30.7	4.8%
Nottinghamshire	51.9	54.3	4.65%
Shropshire	27.2	28.5	5.0%
South Yorkshire	62.6	65.3	5.3%
Staffordshire	49.6	51.9	4.7%
Tyne & Wear	59.8	62.4	4.3%
West Midlands	123.8	128.9	4.2%
West Yorkshire	102.9	107.4	4.4%

APPENDIX I

Equality Impact Analysis (EIA) Form

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

Name of Policy, Procedure, Activity or Decision (PPAD):	Fire Authority Service Planning processes for 2024/25 and beyond – Revenue Budget 2024/25 and Capital Strategy 2024/25 to 2028/29	**Date of Analysis:**	26-01-2024
PPAD Owner:	Assistant Director Resources / Treasurer	**EIA Author:**	Assistant Director Resources / Treasurer
Directorate Lead and Department:	**Finance Manager – Resources Directorate**		

Status of PPAD: ('X' as appropriate)	**New**	X	**Existing**	

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

What are the aims and intended effects of this proposal (PPAD)?
To set a balanced revenue budget for 2024/25, agree the Capital Asset Strategy and Capital Programme for 2024/25 to 2028/29, agree the Reserves and Balances Strategy, agree the Authority's Medium Term Finance Plan for 2024/25 to 2028/29, achieve financial sustainability over the medium term.

Stage 1: Equality Impact Quick Checker

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

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

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

If you identified '**Will impact'** or '**Could impact'** for any Protected Characteristic, go to Stage 2 to conduct a full Equality Impact Analysis.
If you identified **'Won't impact'** for all Protected Characteristics, provide your summary rationale for this below and submit this form for record on the 'Equality Impact Analysis' Intranet page:
All budget proposals have been assessed by SLT. All proposals linked to strategies, policies and projects will be subject to specific EIAs. Funding is provided to implement the accessibility module of the Service's e-recruitment system, and this is likely to have a positive impact on this group. A specific EIA will be conducted as part of the project.

All savings proposals to balance the budget beyond 2024/25 will be subject to separate EIAs. No other proposals are assessed as impacting any of the protected characteristics at this stage.

EAST SUSSEX FIRE AUTHORITY

Meeting	Fire Authority
Date	8 February 2024
Title of Report	Treasury Management Strategy for 2024/25
By	Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Richard Carcas, Principal Finance Officer (Treasury Management) ESCC

Background Papers

Fire Authority, 9 February 2023 - Treasury Management Strategy for 2023/24
Fire Authority, 15 June 2023 - Treasury Management Stewardship Report 2022/23
Policy & Resources Panel, 9 November 2023 - Half year review for 2023/24

CIPFA Prudential Code

CIPFA Treasury Management in the Public Services - Code of practice

Local Government Act 2003 Local Government Investments - Guidance from the Department for Levelling Up, Housing and Communities (DLUHC).

Appendices

1. Treasury Management Scheme of Delegation
2. The Prudential & Treasury Indicators
3. Minimum Revenue Provision (MRP) Policy Statement
4. Comment from Link Asset Services on the outlook for 2024/25
5. Counterparty list
6. Investment Benchmarking
7. Glossary

Implications

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

PURPOSE OF REPORT	To approve the Treasury Management Strategy, policy statement and the Minimum Revenue Provision (MRP) Statement 2024/25

EXECUTIVE SUMMARY

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

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

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

The Fire Authority has always adopted a prudent approach on its investment strategy. No changes to the Investment Strategy are proposed for 2024/25.

The 2024/25 Strategy counterparty list for specified and non-specified investment is set out in the Appendices 4 and 6 with no updates to note.

The Fire Authority is recommended to approve the 2024/25 investment strategy. The Fire Authority should note that any introduction of longer term instruments will result in an increased (but appropriate) level of risk to the investment portfolio.

To the 31 December 2023, the Fire Authority earned £671,988 in investment interest at an average rate of 4.89%. This level of return is broadly consistent with recent available Investment benchmarking (Appendix 6).

The background information and the calculation of the Authorised Limit for borrowing for 2024/25 of £21.6m are set out in the attached Appendix 2 (Table 8).

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

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

The Treasury Management policy statement for 2024/25 is set out in Section 5.

RECOMMENDATION The Fire Authority is recommended to:

i. approve the Treasury Management Strategy and policy statement for 2024/25;

ii. determine that for 2024/25 the Authorised Limit for borrowing shall be £21.6m;

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

iv. approve the Minimum Revenue Provision (MRP) Statement for 2024/25 as set out in the attached Appendix 3; and

v. approve the Annual Investment strategy for 2024/25 as set out in Section 5.

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1. INTRODUCTION

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

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

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

1.3 The Treasury Management Strategy for 2024-25 covers the following areas:

- economic overview (section 2);
- the treasury position (section 3);
- the borrowing strategy to finance the capital plans (section 4);
- the investment strategy (section 5);

- MRP strategy (section 6); and
- policy on use of external service provider (section 7).

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

2. ECONOMIC OVERVIEW

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

Table 1

Month	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	**25 year**	**50 year**
Mar 2024	5.25	4.50	5.20	5.00
Jun 2024	5.25	4.40	5.10	4.90
Sep 2024	4.75	4.30	4.90	4.70
Dec 2024	4.25	4.20	4.80	4.60
Mar 2025	3.75	4.10	4.60	4.40
Jun 2025	3.25	4.00	4.40	4.20
Sep 2025	3.00	3.80	4.30	4.10
Dec 2025	3.00	3.70	4.20	4.00
Mar 2026	3.00	3.60	4.20	4.00
Jun 2026	3.00	3.60	4.10	3.90

2.2 Link expect the Monetary Policy Committee (MPC) will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. They do not anticipate that the MPC will increase Bank Rate above 5.25%.

2.3 Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

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

3. TREASURY MANAGEMENT POSITION

3.1 Summary of the Authority's borrowing & investment portfolios as at 31 December 2023 and forecast to the end of the financial year is shown below:

Table 2

	Actual at 31 December 2023			Forecast to 31 March 2024		
	£'000	**% of portfolio**	**Average Rate**	**£'000**	**% of portfolio**	**Average Rate**
Investments						
Banks /Local Authorities	8,000	57%	5.45%	10,000	69%	5.35%
Money Market Funds	5,986	43%	5.32%	4,500	31%	5.25%
Total Investments	**13,986**	**100%**	**5.39%**	**14,500**	**100%**	**5.32%**
Borrowing						
PWLB loans	9,417	100%	4.49%	9,417	100%	4.49%
Total external Borrowing	**9,417**	**100%**	**4.49%**	**9,417**	**100%**	**4.49%**

3.2 The Authority's projected debt portfolio position at 31 March 2024, with forward estimates is summarised in Table below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 3

	2023/24	**2024/25**	**2025/26**	**2026/27**
	Projected	**Estimate**	**Estimate**	**Estimate**
	£000	**£000**	**£000**	**£000**
External Debt				
Debt at 1 April	9,817	9,417	15,723	20,248
Expected change in Debt	(400)	6,306	4,525	1,730
External Debt at 31 March	**9,417**	**15,723**	**20,248**	**21,978**
CFR* at 1 April	9,817	9,417	15,723	20,248
Borrowing Need (Table 8)	(6)	6,684	5,156	2,542
MRP	(394)	(378)	(631)	(812)
CFR* at 31 March	**9,417**	**15,723**	**20,248**	**21,978**
Under / (Over) borrowing	**0**	**0**	**0**	**0**

**The Authority's Capital Financing Requirement (CFR) is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Authority's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. CFR in Table 2 is the underlying need to borrow and excludes PFI and lease arrangements, which are included in the CFR figure in the Prudential Indicators in Appendix 2*

3.3 Within the set of prudential indicators there are a number of key tests to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its total borrowing, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current and next two financial years.

3.4 The CFR forecast at the end of 2024/25 is £15.728m. The Authority is required to repay an element of the CFR each year through a revenue charge called the minimum revenue provision (MRP).

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

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

4. BORROWING STRATEGY

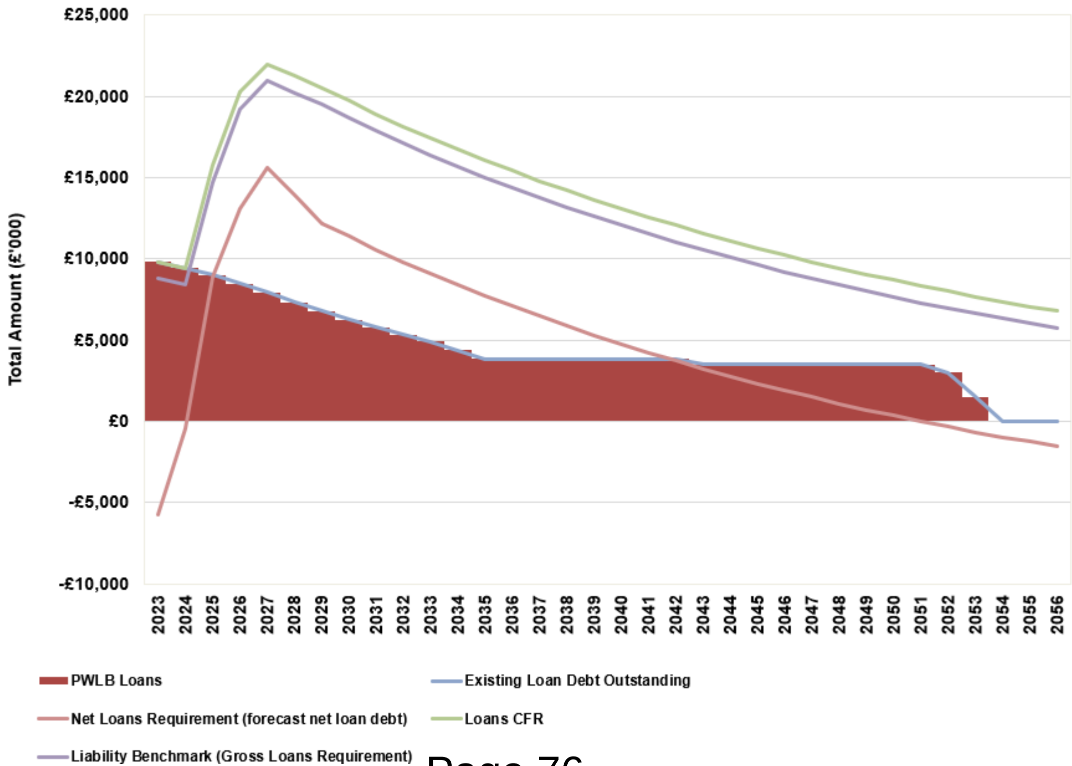
4.1 The net borrowing requirement within Table 3 above shows that, based on current estimates, the Authority will need to consider recommencing borrowing in the short to medium term in order to fund its Capital Strategy. However any future new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts set out above. Given the expected interest rate environment over the next 12 months, it may be beneficial for the Authority to take short term borrowing during 2024/25 and 2025/26 before moving to longer term borrowing once rates have dropped. The Assistant Director Resources / Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Liability Benchmark

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

The Authority's liability benchmark is shown below:

Table 4



- **External Debt –** The maturity profile of the current portfolio of external debt is shown by the red bars. The debt has a very gradual maturity profile which means that there are no requirements to pay back large amounts of debt in any one year.
- **Loans CFR –** This is the projection of the Authority's underlying borrowing requirement (or CFR) based on the Authority's capital plans, and is shown by the top, green line. The 2023/24 opening Loans CFR was £9.8m, and it is expected to peak at £22.0m in 2026/27. This only shows the Loans CFR projection based on the current capital programme of the Authority, therefore if ongoing borrowing is required beyond 2026/27 then the CFR would rise further and for longer.
- **Net Loans Requirement –** The expected net treasury position is shown by the bottom pink line. This shows a projection of the loans requirements measured by opening external debt for 2023/24 (£9.8m), less the opening external investments for 2023/24 (£15.6m). The projections are then based on the expected borrowing within the capital programme and the expected movement in reserves and balances, and shows the borrowing requirement if the Authority were to utilise all of its reserves and balances for internal borrowing. This shows that the Authority had more external investments than external debt as at 31/03/23, which is expected to change from 2024/25 as reserves reduce and borrowing is required in the capital programme. The Net Loans Requirement also peaks in 2026/27. This is due to a low level of borrowing expected to be needed to fund the 2027/28 capital programme.
- **Liability Benchmark –** The liability benchmark shows the Net Loan Requirement, but with a buffer of £5m incorporated to ensure the Authority has sufficient cash to meet its cash obligations. This measure shows the level to which the council can internally borrow based on the projection of the capital programme, movement of reserves and allowing for a liquidity buffer. Where the liability benchmark rises above the current debt portfolio, this shows a need for external borrowing, and where the benchmark reduces back below the current portfolio, it shows that the Authority will be over-borrowed based on current plans.

This graph demonstrates that on current capital expenditure & reserve usage projections, the Authority will need to borrow externally during 2024/25. The external borrowing requirement will peak at £20.9m in 2026/27, before falling.

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

Policy on Borrowing in Advance of Need

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

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

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

Debt Rescheduling

4.7 Rescheduling of current borrowing in the current debt portfolio is unlikely to be an option during 2024/25. This is due to a difference between the rate used to calculate the premature redemption, and the rates used to take on new borrowing. This difference would create a premium that the authority would have to pay that would make it more expensive to repay or restructure than retain the debt.

4.8 Table 5 below identifies PWLB borrowing that is due to mature up to 2026/27. No borrowing is subject to early repayment options (LOBO Loan).

Table 5

	2024/25	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**
Maturing Debt	402	520	550
Debt subject to early repayment options	0	0	0
Total debt at risk of maturity	**402**	**520**	**550**

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

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

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

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

Sensitivity of the Forecast and Risk Analysis

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

- liquidity risk (inadequate cash resources);
- market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
- inflation risks (exposure to inflation);
- credit and counterparty risk (security of investments);

- refinancing risks (impact of debt maturing in future years); and
- legal and regulatory risk (non-compliance with statutory and regulatory requirements, risk of fraud).

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

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

5. INVESTMENT STRATEGY

5.1 The Authority's investment policy has regard to the DLUHC's Guidance on Local Government Investments (the Guidance), the 2021 CIPFA Treasury Management in Public Services Code of Practice ("the Code") and CIPFA Treasury Management Guidance Notes 2021. The Authority's investment priorities will be security first, liquidity second, and then return.

Changes to Investment Strategy

5.2 No changes are proposed to the Investment Strategy for 2024/25.

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

5.4 The market for green and broader ESG investments continues to evolve. Research and the consideration of the suitability of ESG investment products will continue into 2024/25. Fixed term investments of up to £3m have been placed in a Standard Chartered ESG product during 2023/24.

Sovereign Credit Ratings

5.5 The Authority has determined that it will only use approved counterparties based in the UK. The UK currently holds an AA- sovereign rating.

Credit Worthiness Policy

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

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

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

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

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

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

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

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

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

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

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

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

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

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

5.14 The Link Asset Services colours and the maximum time periods are shown para 5.8 above. In the Link Asset Services methodology if counterparty has no colour then they are not recommended for investment and this would remove these counterparties from the Authority's counterparty list.

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

Specified Investments

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

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 1 year);
- the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- the investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector

bodies:

- The United Kingdom Government;
- A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; and
- High credit quality is defined as a minimum credit rating as outlined in section 5.11 of this strategy.

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

- Table 4 below sets out the types of investments that fall into each category, counterparties available to the Authority, and the limits placed on each of these. A detailed list of each investment type is available in the Treasury Management Practices guidance notes;

5.18 Criteria for Specified Investments:

Table 6

Counterparty	Country/ Domicile	Instrument	Min. Credit Criteria LAS/Colour band	Max. Amount*	Max. maturity period
Debt Management and Depost Facilities (DMADF)	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
Government Treasury bills	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
UK Local Authorities	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
Banks – part nationalised	UK	• TDs • Deposits on Notice • Certificates of Deposit (CDs)	Blue	£6m	12 Months
			Orange	£6m	12 Months
			Red	£6m	6 Months
			Green	£6m	100 Days
Banks	UK	• TDs • Deposits on Notice • CDs	Blue	£6m	12 Months
			Orange	£6m	12 Months
			Red	£6m	6 Months
			Green	£6m	100 Days
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/ Ireland/ EU domiciled	AAA Rated Money Market Fund Rating	N/A	£6m	Liquidity/ instant access
VNAV MMF's and Ultra Short Dated Bond Funds	UK/ Ireland/ EU domiciled	AAA Rated Bond Fund Fund Rating	N/A	£6m	Liquidity

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

Non Specified Investments

5.19 Non Specified Investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments are set out in **Table 7** below:

Table 7

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

The maximum amount that can be invested will be monitored in relation to the Authority's surplus monies and the level of reserves, the limit will be £2.5m across all non specified investments for 2024/25. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Authority will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Assistant Director Resources/Treasurer. A detailed list of specified and non-specified investments that form the counterparty list is shown in section 10.

Investment Position and Use of Authority's Resources

5.20 Investment returns are anticipated to reduce mariginally in 2024/25 as markets are pricing in a series of Bank Rate cuts, actual economic circumstances may see the MPC fall short of these expectations. Bank rate cuts at March in the next 3 years are forecast to be:

- March 2024 5.25%
- March 2025 3.75%
- March 2026 3.00%

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

- 2024/25 4.70%
- 2025/26 3.20%
- 2026/27 3.00%
- 2027/28 3.25%

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

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

6. <u>MINIMUM REVENUE PROVISION</u>

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

6.2 The Department for Levelling Up Housing & Communities (DLUHC) regulations have been issued which require the Authority to approve an MRP Statement in advance of each year. A variety of options is provided to authorities, so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3.

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

7. POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

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

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

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

8. UPDATE TO ACCOUNTING REQUIREMENTS

8.1 IFRS 9 – Financial Instruments

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

  The MHCLG (DLUHC) initially enacted a statutory over-ride from 1.4.18 for a five-year period until 31.3.23 following the introduction of IFRS 9 in respect of the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has now been extended to 31.3.25 and has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31.3.25: this is intended to allow authorities to initiate an orderly withdrawal of funds if required. In addition, IFRS9 impacts the write-down in the valuation of impaired loans.

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

- **IFRS 16 – Leasing**

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

  This has the following impact to the Treasury Management Strategy:

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

Treasury Management Scheme of Delegation

1. Fire Authority

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

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

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

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

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

d) In addition to the three major reports detailed above, from 2023/24 quarterly reporting is incorporated into the quarterly monitoring process.

2. The Treasury Management Role of the Section 112 Officer

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

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

- recommending the appointment of external service providers.

3. Training - Treasury Management training for Authority members will be delivered as required to facilitate more informed decision making and challenge processes. The next training session is expected to be delivered to members in 2024.

1. The Prudential and Treasury Indicators

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

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

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

Table 8

Description	**2023/24 Projected**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Expenditure	4,756	8,949	7,156	6,242
Financed by:				
New & existing resources	(4,762)	(2,265)	(2,000)	(3,700)
Borrowing Need*	**(6)**	**6,684**	**5,156**	**2,542**

*prior to MRP deducted

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

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

1.6 Following accounting changes for 2024/25, the CFR will include any other long term liabilities (e.g. PFI schemes, finance leases) brought on the balance sheet. Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility and so the Authority is not required to separately borrow for these schemes. The Authority has no PFI Schemes, and work is being undertaken during 2023/24 and 2024/25 to identify where the Authority holds finance leases. Tables 8, 9 and 10 include an estimate for finance leases that will be bought onto the balance sheet during the year.

Table 9

	2023/24 Projected	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement				
	£'000	**£'000**	**£'000**	**£'000**
Opening CFR	9,817	9,417	15,707	20,232
Borrowing Need (table 8 as above)	(6)	6,684	5,156	2,542
MRP	(394)	(379)	(631)	(812)
Closing CFR	**9,417**	**15,707**	**20,232**	**21,962**

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

Table 10

Description	**2023/24 Projected**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	10,400	17,600	22,500	24,400
PFI/Leases	-	2,000	2,000	2,000
Total	**10,400**	**19,600**	**24,500**	**26,400**

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

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

Table 11

Authorised Limit	**2023/24 Projected**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	11,500	19,600	25,000	27,100
PFI/Leases	-	2,000	2,000	2,000
Total	**11,500**	**21,600**	**27,000**	**29,100**

2. Treasury Management Limits on Activity

2.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

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

Table 12

Maturity structure of fixed interest rate borrowing 2024/25 All Fire Authority borrowing is at a Fixed Rate			
	Lower	**Upper**	**Actual**
Under 12 months	0%	25%	4%
12 months to 2 years	0%	40%	6%
2 years to 5 years	0%	60%	18%
5 years to 10 years	0%	80%	20%
10 years to 20 years	0%	80%	15%
20 years to 30 years	0%	80%	37%
30 years to 40 years	0%	80%	0%
40 years to 50 years	0%	80%	0%

Table 13

Principle sums invested for periods longer than 365 days			
	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Limit	1.00	0.50	0.50

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

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

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

Table 14

Description	2023/24 Projected	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	%	%	%	%
Ratio	2.02	1.92	2.93	3.48

3. Treasury Management Budget

Table 15

Description	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Interest Payable	505	581	838	976
Interest Receipts	(150)	(300)	(50)	(10)
Minimum Revenue Provision	395	379	631	812
TOTAL	**750**	**660**	**1,419**	**1,778**

Minimum Revenue Provision Policy Statement

1. Policy Statement

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

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

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

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

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

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

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

The policy for 2024/25 is therefore as follows:-

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

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

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

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

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

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

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

1.11 The government is currently consulting Local Authorities on proposed changes to the MRP guidance. The proposed changes are not expected to impact on the Fire Authority.

APPENDIX 4

Economic Overview

Provided by Link Asset Services (Treasury Advisors) January 2024

The third quarter of 2023/24 saw:

- A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
- A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
- CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
- Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
- The Bank of England holding Bank Rate at 5.25% in November and December;
- A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.

The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.

However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.

The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.

Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.

The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.

The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.

CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.

The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

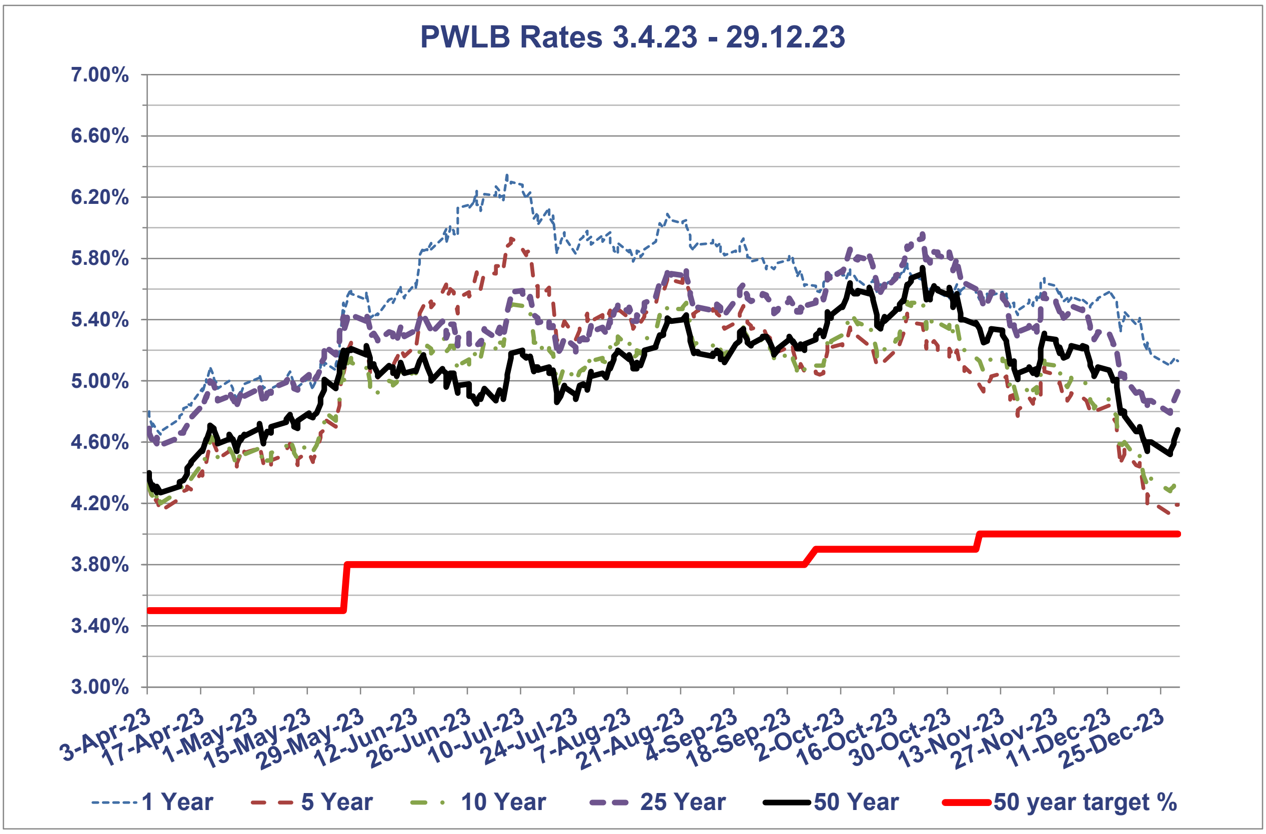
The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.

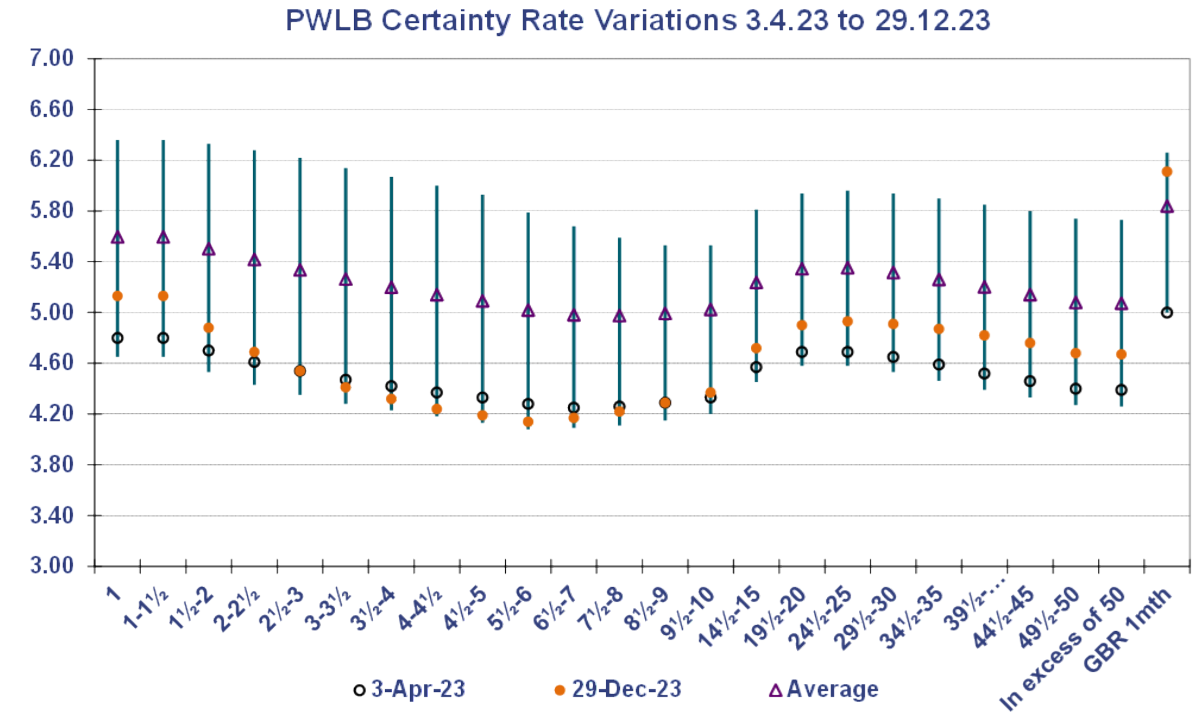
Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.

- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

Prospect for Interest Rates

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 8 January 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

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

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the tightening in Bank Rate to 5.25%, the Bank of England allows inflationary pressures to remain elevated for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation continues to fall through 2024.

Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 08.01.24 p.m.	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	4.53%	3.70%	3.80%
10 years	4.67%	3.90%	3.80%
25 years	5.19%	4.20%	4.20%
50 years	4.97%	4.00%	4.00%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

APPENDIX 5

Bank with duration colour	Country	Fitch Ratings				Moody's Ratings		S & P Ratings		CDS Price	ESFA Duration	Link Duration Limit	Money Limit
Specified Investments:		L Term	S Term	Viab.	Supp.	L Term	S Term	L Term	S Term		(Months)	(Months)	(£m)
Lloyds Banking Group:													
Lloyds Bank	UK	A+	F1	a	WD	A1	P-1	A+	A-1	53.22	6	6	6
Bank of Scotland	UK	A+	F1	-	WD	A1	P-1	A	A-1	-	6	6	
RBS/NatWest Group:													
NatWest Bank	UK	A+	F1	a	WD	A1	P-1	A+	A-1	-	12	12	6
Royal Bank of Scotland	UK	A+	F1	a	WD	A1	P-1	A+	A-1	-	12	12	
HSBC Bank	UK	AA-	F1+	a	WD	A1	P-1	A+	A-1	52.88	12	12	6
Barclays Bank	UK	A+	F1	a	WD	A1	P-1	A+	A-1	100.00	6	6	6
Santander (UK)	UK	A+	F1	a	WD	A1	P-1	A	A-1	-	6	6	6
Goldman Sachs IB	UK	A+	F1	-	WD	A1	P-1	A+	A-1	79.25	6	6	6
Standard Chartered Bank	UK	A+	F1	a	WD	A1	P-1	A+	A-1	52.68	6	6	6
Handelsbanken (UK) PLC	UK	AA	F1+	-	WD	-	-	AA-	A-1+	-	12	12	6

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

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

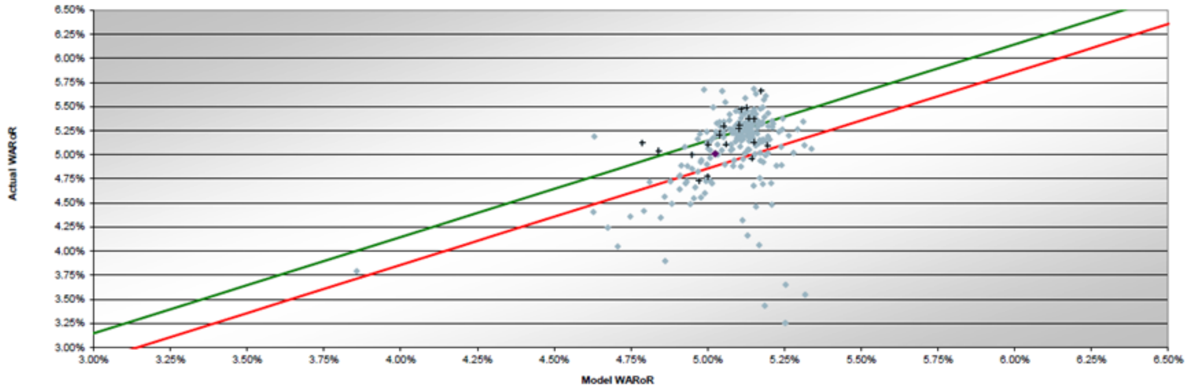
Investment Benchmarking

1 Investment Benchmarking

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

1.2 The cluster graph below shows that the rate of return grouping for Local Authorities is within a range of 4.91 – 5.20% which is broadly consistent with returns achieved by this Authority (5.32% as at September).

Population Returns against Model Returns



1.3 The table below shows interest earned on balances in April to December 2023. As at 31 December £672k was earned in investment interest at an average rate of 4.89% for the year to date.

2023/24	Average Balance (£m)	Interest Earned (£k)	Return (%)	Base Rate* (%)	+/- (%)
April	17.6	55.9	3.88	4.25	-0.37
May	17.2	60.8	4.16	4.42	-0.26
June	16.8	60.2	4.37	4.66	-0.29
July	17.1	68.0	4.70	5.00	-0.37
August	22.1	98.3	5.23	5.23	+0.00
September	20.7	90.4	5.32	5.25	+0.07
October	19.3	88.0	5.36	5.25	+0.11
November	17.3	76.1	5.37	5.25	+0.12
December	16.3	74.3	5.38	5.25	+0.13

**Average Base Rate in Month*

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

Investment Product Glossary

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

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

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

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

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

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

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

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

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

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

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EAST SUSSEX FIRE AUTHORITY

Meeting	Fire Authority
Date	8 February 2024
Title	Annual Pay Policy Statement for 2024/25
By	Julie King, Assistant Director People Services
Lead Officer	John Olliver, Payroll, Pensions & HR Assurance Manager
Background Papers	None
Appendices	1 Pay Policy Statement 2024/25

Implications:

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

PURPOSE OF REPORT

To seek approval of the Fire Authority's Annual Pay Policy statement for the period 1 April 2024 to 31 March 2025, in line with the requirements of the Localism Act 2011

EXECUTIVE SUMMARY

The Localism Act 2011 imposes a duty on relevant local authorities to prepare pay policy statements for each financial year, beginning with 2012/13. The statement must be approved by 31 March 2024.

This paper does not propose any changes to the Fire Authority's existing policies on pay or its pay scales. It reflects the previous Pay Policy updated to reflect the outcomes of national pay settlements, the decisions of the Principal Officer Appointment Panel (in relation to Principal Officer's pay) and changes to the Firefighters and Local Government Pension Schemes.

RECOMMENDATION

The Fire Authority is asked to approve the Annual Pay Policy Statement set out in Appendix 1.

1. BACKGROUND

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

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

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

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

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

A performance related pay system for Principal Officers was implemented in 2019 following a period of consultation and agreed by the Fire Authority.

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

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

- The chief officer's salary or, in the case of a chief officer engaged by the authority under a contract for services, payments made by the authority to the chief officer for those services;
- Any bonuses payable by the authority to the chief officer;
- Any charges, fees or allowances payable by the authority to the chief officer;
- Any benefits in kind to which the chief officer is entitled as a result of the chief officer's office or employment;
- Any increase in or enhancement of a chief officer's pension entitlement where the increase is as a result of a resolution of the authority, and

- Any amounts payable by the authority to the chief officer upon the chief officer ceasing to hold office under or being employed by the authority, other than amounts that may be payable by virtue of any enactment.

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

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

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

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Pay Policy Statement 2024/25

Introduction

The Pay Policy Statement set out below has been compiled in accordance with Sections 38 to 43 of the Localism Act 2011. The Act requires East Sussex Fire Authority to publish a Pay Policy Statement for each financial year. The information contained in this Statement is based on the pay position of employees as at 31 December 2023 unless otherwise stated. The purpose of a Pay Policy Statement is to provide information to the public on the pay arrangements that apply to employees of the Authority, including the Chief Fire Officer and their direct reports. The Statement also includes information on how decisions to set or change pay are made.

Structure of the Workforce

As at 31 December 2023 the Authority employed 721 people (611 full-time equivalents or FTEs). These employees span various pay groups which perform a variety of roles and have different patterns of working to meet service delivery needs. In its simplest form these are employees who either have an operational role (firefighters working on fire stations, and technical staff working in specialist areas) or those support staff who provide corporate functions such as finance, information technology, governance, community safety and human resources.

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

Number of FTE Staff Employed by Category as at 31 December 2023

Staff Group	Definition	Number of Staff in Group
Operational Staff	Firefighters who work 42 hours a week to crew stations 24 hours a day either as firefighters located at the station, or as firefighters located at the station during the day and responding from their own homes on an on-call basis at night, or who work in specialist areas such as Fire Safety Operational Planning and Policy and Training Centre instructors.	349
On-Call Firefighters	A duty system where firefighters respond from their own homes or workplaces located near to the fire station on an on-call basis.	113
Corporate Support Staff	Support staff who provide corporate functions such as finance, information technology, governance, community safety and human resources.	146
Principal Officers/ Statutory Officers	Principal Officers comprise the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer and Treasurer.	3

Pay Policy

The overarching framework for pay and conditions of service for staff employed by the Authority is governed by three National Joint Councils (NJC). These are the NJC for Local Authority Fire and Rescue Services, the NJC for Local Government Services and the NJC for Brigade Managers of Local Authority Fire and Rescue Services. The principal role of each of these national bodies is to reach agreement on a national framework of pay and conditions of service for authorities to apply locally. Each NJC is made up of people who represent the employers and others who represent employees; the latter will typically be trade union representatives. The frameworks of pay and conditions set by each of these national bodies are locally referred to as the Grey Book (applies to uniformed staff); the Green Book (applies to Corporate Support); and the Gold Book (applies to the Principal Officers).

The Fire Authority has a specific policy which means that salary progression of principal officers is performance related.

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

The Equality Act 2010 gives women (and men) a right to equal pay for equal work. The Authority believes that its pay and benefits policy and practices are being applied consistently, ensuring equal pay for work of equal value for men or women.

Local Variations to Pay and Conditions of Service

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

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

Due to some challenging to fill vacancies, particularly in the area of our professional services, the service has a market supplement policy in place.

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

Pay Structure

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

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

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

Pay Awards

An annual pay increase is awarded based on the outcome of the relevant national pay negotiation process. Based upon the decisions taken at a national level by the NJCs relevant to this Authority, the Authority's Corporate support staff working to Green Book terms and conditions were awarded increases based on a monetary value of £1925pa or 3.88% whichever was the higher value for 2023, effective from 1 April.

Those uniformed operational staff who work to the Grey book terms and conditions' annual pay awards for 2022/23 and 2023/24 were not agreed until March 2023. This 2 year agreement was for a 7% uplift from 1 July 2023 and a further 5% from the following 1 July.

Pay awards for Principal Officers for 2022 (4% uplift) and 2023 (3.5% uplift) were agreed in the summer of 2023 and backdated accordingly to 1 January of the respective years. This pay award for January 2024 is currently pending agreement by the NJC- Gold Book.

How are Grades and Roles Determined?

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

Pension Arrangements

The Authority currently administers two occupational pension schemes.

For firefighters, they are auto-enrolled onto the Firefighters' Pension Scheme 2015. The employee contribution rates effective from 1 April 2015, determined by statute, currently range from 11% to 14.5%, depending on salary level. Employer contribution rate has been 28.8% of core pensionable pay from 1 April 2020 but will increase to 37.6% from 1 April 2024.

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

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

As at 31 December 2023 no discretions have been awarded under the schemes.

Corporate support staff are auto-enrolled onto the Local Government Pension Scheme (LGPS). The employee contribution rates for this scheme currently range from 5.5% to 12.5% depending on salary level. The employer contribution rate is 19.45% for the year 2024/25.

The LGPS is a statutory scheme. The rules and regulations governing the schemes are laid down by the Government.

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

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

As at 31 December 2023, no discretions have been awarded under the new scheme.

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

Senior Officers

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

Post	FTE Salary	Notes
Chief Fire Officer	£168,466	Car provided
Deputy Chief Fire Officer	£132,467	Car provided
Assistant Chief Fire Officer	£124,370	Car provided
Assistant Director – Resources/ Treasurer	£86,465	Eligible for lease car provision (not taken)
Assistant Director – Planning & Improvement	£69,787	Eligible for lease car provision (not taken)
Assistant Director – Operational Support & Resilience	£69,283	Response car provided plus 20% flexible duty system allowance
Assistant Director – Safer Communities	£69,283	Response car provided plus 20% flexible duty system allowance & CPD payment
Assistant Director – People Services	£69,283	Response car provided plus 20% flexible duty system allowance & CPD payment
Group Manager (Competent) (7 of)	£59,642	Plus 20% Flexible Duty System.
ITG Manager	£57,727	An additional allowance of £5,705pa is provided under the market supplement policy
Strategic Community Safety Manager	£57,727	
Strategic Health, Safety & Wellbeing Manager	£57,727	
Procurement Manager	£57,727	
Planning & Intelligence Manager	£57,727	
Payroll, Pensions & HR Assurance Manager	£57,727	

Human Resources/ Organisational Development Manager	£57,727	
Occupational Health Clinical Lead	£57,727	The funding of this role is shared with Sussex & Surrey Police as part of the occupational health collaboration
Communications & Marketing Manager	£54,529	
Finance Manager	£54,529	An additional allowance of £6,000pa is provided under the market supplement policy
Engineering Manager	£52,999	
Station Managers (23 of)	£51,125	Response car provided plus 20% flexible duty system allowance & CPD payment

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

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

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

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

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

The table below sets out the difference between the pay of the highest paid employee (the Chief Fire Officer) when compared to other employees. The information illustrates that the Chief Fire Officer's pay is 4.76 times more than the basic pay of a competent Firefighter role (£36,226pa) as at 31 December 2023. This differential is £130,717.

	December 2019	December 2020	December 2021	December 2022	December 2023
Chief Fire Officer	£147,074	£150,015	£152.266	£159,827	£166,943
Mean Salary	£31,144	£31,767	£32,244	£34,501	£36,226
Ratio	4.72	4.72	4.72	4.63	4.6

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

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

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

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

Rank	SCP1	SCP2	SCP3	SCP4	SCP5
Chief Fire Officer	162,377	163,899	165,421	166,943	168,466
Deputy Chief Fire Officer	131,237	132,467	133,698	134,928	136,158
Assistant Chief Fire Officer	122,081	123,225	124,370	125,515	126,659

The Authority's Definition of 'Lowest Paid' Employees

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

Re-Engagement of Employees

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

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

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

Gender Pay Gap Reporting

Fire and Rescue Services are required by the Equalities Office to submit annually for gender pay gap reporting. The measures are taken from a snapshot date, which for the public sector is the 31 March each year. Our submission deadline for the 2023 data is 31 March 2024.

At the February SLT meeting this report will be presented by People Services. The meeting will be asked to approve the publication of the gender pay gap report for 2023 on the ESFRS website.