Agenda Item No. 84

EAST SUSSEX FIRE AUTHORITY

Meeting	Fire Authority
Date	14 February 2019
Title of Report	Fire Authority Service Planning processes for 2019/20 and beyond – Revenue Budget 2019/20 and Capital Strategy 2019/20 to 2023/24
By	Chief Fire Officer and Assistant Director Resources / Treasurer
Lead Officer	Warren Tricker, Finance Manager

Background Papers

Fire Authority Service Planning processes for 2018/19 and beyond, Revenue Budget 2018/19 and Capital Strategy 2018/19 to 2022/23: Fire Authority 15 February 2018.
2019/20 Strategic Service Planning and Medium Term Financial Plan: Fire Authority 6 September 2018.
Policy & Resources Panel 1 November 2018 – Efficiency Strategy Update
Economic and Fiscal Outlook, March 2018 and October 2018; Office of Budget Responsibility.

Appendices

A – Medium Term Finance Plan 2019/20 – 2023/24
B – Revenue Budget Summary 2019/20
C – Fees and Charges
D – Capital Strategy 2019/20 – 2023/24
E – Reserves and Balances Policy
F – Precept for 2019/20
G – Establishment 2019/20
H – Local Government Financial Settlement Core Spending Power of Combined Fire Authorities

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Implications

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

PURPOSE OF REPORT To present the Fire Authority's Revenue Budget 2019/20, Capital Strategy 2019/20 – 2023/24 and Medium Term Finance Plan for 2019/20 – 2023/24 for approval.

EXECUTIVE SUMMARY

The Authority's budget proposals for 2019/20 and its five year Medium Term Finance Plan (MTFP) were considered by the Policy and Resources Panel on 18 January 2018. Since that meeting the report has been updated to reflect final council tax and business rates information, collection fund positions and revised information from central government on business rates funding. The Local Government Finance Settlement (LGFS) is expected to be finalised when the Local Government Finance Report (England) 2019/20 is debated by Parliament on 5 February 2019.

The Authority has continued to make good progress in identifying and agreeing savings proposals over the last 12 months. The latest version of the MTFP shows that the Authority has already identified £0.413m of savings in 2019/20 and a total of £0.529m savings in total over the life of the MTFP.

This report outlines proposals for setting a balanced revenue budget for 2019/20, including commitments, growth bids and new savings. The Government has confirmed the increase in the Council Tax Referendum Threshold to 3% for a further year and this report models a 2.94% increase in line with steer given by Policy and Resources Panel.

There remains significant uncertainty for fire funding beyond the current multi-year funding offer that ends in 2019/20. For 2020/21 and beyond there are potentially significant risks as a result of proposals to change the Business Rates Retention regime, the Fairer Funding Review and a Comprehensive Spending Review covering the last two years of this Parliament. In addition there is no decision on the funding of increased employer's pension costs after 2019/20 and locally the impact of West Sussex CC's withdrawal from the Sussex Control Centre from February 2020 is still to be fully evaluated.

As a consequence of this uncertainty the MTFP forecasts overall central support in two scenarios, 5% annual decrease and 7.5% annual decrease in Settlement Funding Assessment. The revised MTFP under the 5% option shows a need to deliver further savings of £2.837m by 2023/24. In the 7.5% scenario this increases to £3.727m by 2023/24.

Officers will continue to explore the potential for further savings to meet the identified target by 2023/24 through the activities set out in the Efficiency Strategy approved by the Authority in September 2017. In the short term the focus will be on identifying options for balancing the budget for 2020/21 well in advance of the announcement of the funding settlement. The Senior Leadership Team has committed to carrying out further work to identify and deliver a greater return on planned investments and specifically an increase in the level of cashable efficiencies delivered.

The Capital Strategy reflects the Authority's identified capital investment requirements for the next five years and has been updated significantly to reflect the new Estates Strategy and the re-profiling of the Fleet Strategy. With an overall increase in spend over the life of the Strategy and the receipts from the sale of the old HQ supporting the investment in the existing property portfolio 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 impacts of new borrowing is reflected in the MTFP from 2021/22 onwards.

The Capital Strategy reflects the Authority's identified capital investment requirements for the next five years and has been updated significantly to reflect the new Estates Strategy and the re-profiling of the Fleet Strategy. With an overall increase in spend over the life of the Strategy and the receipts from the sale of the old HQ supporting the investment in the existing property portfolio 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 impacts of new borrowing is reflected in the MTFP from 2021/22 onwards.

The Authority has acted prudently in establishing reserves and balances to meet its assessed risks and to provide one off funding for specific priorities. This continues to provide the funding necessary to support the Authority's transformation programme and meet its capital investment priorities over the next two to three years. It is planned that the level of reserves held will significantly reduce over the life of the MTFP and this will reduce the level of financial flexibility the Authority has outside of its Revenue Budget.

At its meeting on the 17 January 2019 the Policy and Resources Panel discussed the Revenue Budget and Capital Programme. The Panel agreed to recommend that the Fire Authority should agree a council tax increase of 2.94% in 2019/20 and plan on the basis of a 1.94% rise in subsequent years.

At the time of writing not all the Business Rate returns from billing authorities had been received and the analysis of the impact of the Business Rates Retention pilot could not be completed. As a result the budget remains based on the original Pilot estimate of £550,000.

RECOMMENDATION The Authority is recommended to approve:

a) an increase in council tax of 2.94% and thus approves:

   (i) the budget proposals set out in this Report and the net budget requirement of £39.037m for 2019/20;
   (ii) the council tax requirement of £27.215m; and
   (iii) the council tax and precepts as set out in Appendix F

b) the capital programme for the next five years and the capital budget of £6.728m for 2019/20 and the plans to use capital grant, capital receipts and revenue contributions to finance capital expenditure;

c) the reduction in the minimum level of General Reserves to 6% of the net revenue budget;

d) the fees and charges set out in Appendix C; and

e) that the Chief Fire Officer, in consultation with the Chairman and Treasurer, be authorised to make any adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.

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1 INTRODUCTION

1.1 The report sets out the proposed Revenue Budget for 2019/20, a revised MTFP for 2019/20 to 2023/24 as well as the proposed Capital Strategy and Capital Programme for the Authority for the period 2019/20 to 2023/24 for the Authority to consider. The report is based on the latest information available, but Members should note that the Final Local Government Finance Settlement for 2019/20 will not be formally approved until 5 February.

1.2 The Local Government Finance Settlement confirmed the council tax referendum threshold of 3% for 2019/20. The Government's continued support for council tax flexibility indicates that this may continue and this report gives an indication of the extra yield available should the option be extended. On current tax base each 1% increase yields circa £264,000 in 2020/21.

1.3 The Authority had its four year efficiency plan approved by the Home Office and this has provided certainty in central Government funding for the period to 2019/20. Beyond that a number of assumptions have been made as to the level of funding in the Medium Term Financial Plan (MTFP).

1.4 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months. The latest version of the MTFP considers the roll-forward of the existing Plan to include 2023/24, including the unachieved saving on the Grey Book pay award and savings from the senior management restructure as well as a number of new savings identified as part of the budget setting process. It includes other changes to spending plans, the provisional Local Government Finance Settlement (LGFS) and latest information on council tax and business rates. Taken together these show that the Authority has already identified £0.413m of savings for delivery in 2019/20 to deliver a balanced budget along with flexibilities in the Corporate Contingency and revenue contributions to fund the cost of the Capital Programme.

1.5 The level of savings required post 2019/20 will depend heavily on the Comprehensive Spending Review and the associated fairer funding review, proposals for business rates retention and council tax increase flexibility. In the scenario of an overall 5% reduction in central support the savings target is £0.761m in 2020/21 increasing to £2.837m by 2023/24. In the 7.5% scenario the targets increase to £1.031m in 2020/21 and £3.727m in 2023/24.

1.6 There remain several uncertainties for funding in 2020/21 and beyond and the Authority will need to remain flexible in its approach to its financial planning. The acknowledgement of the Authority's four year efficiency plan and the multi-year funding figures for the period to 2019/20 have provided a welcome level of certainty and have supported our strategic and financial planning over the period. However, there remains uncertainty after this end of this period. The

Government has now committed that by the end of the Parliament local government will retain 75% of business rates revenues to fund local services in return for the loss of a number of existing grants such as Revenue Support Grant. It has been confirmed by the Home Office that the fire service will remain part of the Business Rates Retention system at least in the short term. In addition there is a national Fairer Funding Review which will change the basis for the distribution of resources across the fire service and a Comprehensive Spending Review which will determine the total funding available for the fire service for the last two years of this parliament, both of these are due for implementation in 2020/21.

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. The UK economy has slowed this year as inflation has decreased households' real incomes. The Office of Budget Responsibility (OBR) has reflected low productivity growth and better than expected level of national deficit in their revised forecasts. Growth is forecast to average 1.5 per cent a year over the next five years, starting at a better than expected 1.6% for 2019 before dipping to 1.4% and climbing back to 1.6% by 2023 as public spending cuts and Brexit-related uncertainty weigh on the economy.

2.2 The Government's stated fiscal mandate is to maintain the structural deficit as less than 2% of GDP. The OBR continue to expect this will be achieved in 2018/19 when they forecast it to be 1.3%, then 1.6%, 1.3%, 1.1% and 0.9% in the following financial years. For the purposes of the MTFP it is important to note that this estimate is based on falling government spending.

2.3 The official UK bank interest rate increased from 0. 50% to 0.75% in August 2018 and the OBR expect it to continue to rise to 1.5% by the end of 2023.

2.4 The Government continue to set the target for CPI at 2%. The December 2018 figure was 2.1% down from 2.3% in November 2018 and the OBR expect it to continue to move toward the target of 2.0% by early 2020.

3 NATIONAL FUNDING

3.1 The provisional LGFS was announced on the 13 December 2018. As expected it reflected the accepted four year settlement. The timing of policy decisions on the funding of local government and fire services have been affected by Government focus on the Brexit negotiations and there is a high degree of uncertainty on funding beyond the end of the four year settlement. The assumptions used to predict funding have drawn on various models and announcements from bodies such as the Local Government Association, and Local Government Futures along with other professional and sector groups.

3.2 As part of the 2011 Localism Act, council tax capping in England was abolished and has been replaced by powers for residents to approve or veto excessive council tax increases through a local referendum. Any decision to trigger a referendum would incur a significant cost in actually carrying out the vote, and thereby acts as a disincentive to break the referendum ceiling. The LGFS (provisional) has extended the referendum threshold of 3% for another year. The Revenue Budget has been prepared on the basis of a 2.94% increase for 2019/20. Our current assumption beyond this is that it will return to 2%, however the report illustrates the impact should Government extend the 3% threshold for the following four years.

3.3 The Local Government Finance Report (England) 2019/20 is due to be debated on 5 February 2019 when, if as expected it is approved, the LGFS will become final. It is recommended that power is delegated to the Chief Fire Officer, in consultation with the Chairman and the Treasurer, to make any presentational changes to the budget that may be required as a result. This will not impact on the agreed precept or level of council tax.

3.4 2019/20 is the final year of the multi-year settlement and the LGFS does not address the period beyond. There is a significant degree of uncertainty given that there will be changes to the business rates system and potentially a change of Government. At this stage we have modelled on the basis that overall government funding will continue to decrease by 5% with the scenario of a 7.5% reduction also illustrated.

3.5 The provisional LGFS indicates that losses from central Government policy changing business rates yield will be compensated for by a Section 31 (S31) grant. The provisional LGFS relies on government core spending figures and these are used in the MTFP as the actual figures from the billing authorities (form NNDR1) are not available at the time of writing. There is no commitment to provide S31 grant to compensate local authorities for losses due to the early move to CPI indexation and Small Business Rates Relief, and it is not yet clear how this will operate under 75% BRR. At this stage we have assumed that this S31 grant will not continue beyond 2019/20.

3.6 HM Treasury announced changes to the discount rate for unfunded public sector pensions (including fire) on 6 September 2018. This, combined with the earlier announcement at Budget 2016, has resulted in a reduction to the discount rate, used to calculate the future liabilities of the scheme, from 3% to 2.4%. This has the effect of increasing the average employer contributions (to include ill-health costs) from 17.6% to 30.2% from April 2019. There are four firefighter pension schemes each with its own employer contribution rate and the individual scheme rates for 2019/20 have not yet been announced. The Government Actuary's Department has estimated that the additional cost to fire as a result will be around £107m per annum. Additional funding will be provided to public sector bodies in 2019/20 in order to mitigate most of this increase, with the sector paying £10m of the additional costs in 2019/20. The funding will be resolved as part of the 2020/21 Comprehensive Spending Review (CSR) although there are no details at present. In our modelling we have assumed that the net impact of this pressure (£1.4m) will be addressed through CSR for 2020/21 onwards whether through Government grant or council tax flexibility.

3.7 There has been no announcement on the value of specific grants for the fire and rescue service to date. Our current assumption is that both FireLink and New Dimensions grants will be reduced by 10% p.a. for the duration of the MTFP.

4 MEDIUM TERM FINANCIAL PLAN

4.1 The MTFP (Appendix A) reflects the provisional LGFS and models two scenarios where central support is reduced at 5% and 7.5% per year. It includes the latest information on business rates and council tax. The risks set out in paragraph 4.8 below and the potential for further reductions in public spending and proposed changes to the way local government is supported centrally makes forecasting the position for the last four years of the rolled forward MTFP very difficult (i.e. beyond the current multi-year funding agreement). For that reason the forecast within the MTFP for 2020/21 to 2023/24 should be regarded only as indicative at this stage.

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

- From 2020/21 it is assumed that in line with continued austerity the overall level of government funding will continue to decrease at the same rate as the remainder of the current settlement (either 5.0% or 7.5% pa)
- any changes to the distribution of business rates under the Government's localisation proposals for business rates will have a net nil impact on the Authority
- S31 grant to compensate authorities for the loss of income as a result of the capping of the multiplier and various reliefs is assumed to end after 2019/20.
- Growth in council tax base of 0.96% for 2019/20 and 1.1% thereafter;
- Increases of 2.94% in council tax in 2019/20 and 1.94% thereafter;
- Net provision for pay increases of 2.0% for all staff in 2019/20 and in subsequent years;
- Provision for price increases of 2.5% for the duration of the MTFP;
- Delivery of savings in line with agreed plans and identification of further savings through the Efficiency Strategy;
- That additional employer's pension contributions for the Firefighter's Pension Scheme are funded through CSR at the same level as in 2019/20 (i.e. the net cost to the Authority is unchanged from 2019/20).

4.3 The Authority is part of a successful bid to establish a Business Rate Pilot in East Sussex and Urgency Panel on 3 January 2019 approved the Authority's participation. The gains to the Authority are in 2019/20 only and are estimated at £0.550m which will be transferred to an earmarked reserve for spending in accordance with the arrangements of the pilot. This estimate will be updated in mid-February once all the returns (NNDR1) from the billing authorities have been received and the analysis of the impact of the BRR pilot have been calculated.

4.4 Overall, current forecasts for Collection Funds indicate an expected deficit on the business rates collection fund of £69,000 and a surplus on the council tax collection fund of £170,000, meaning an overall estimated net surplus of £101,000.

4.5 For 2019/20 pay inflation for all terms and conditions is 2.0% which equates to £623,000.

4.6 The assumption for price inflation in the 2019/20 revenue budget and the remainder of the MTFP is 2.5%. Forecasts of CPI are moving more quickly to 2.0% in 2019/20 however with other risks and uncertainties it is considered that the 2.5% assumption remains appropriate.

4.7 The MTFP uses the 2.94% council tax increase for 2019/20. Net expenditure increases of 2.4% in 2019/20 and then 0.1%, 2.6%, 2.6% and 2.9% in subsequent years. If this flexibility is continued for the term of the MTFP the additional income is £0.273m in 2020/21 rising to £1.217m by 2023/24 using the existing forecast growth in the council tax base.

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

- Our ability to identify and deliver the savings required to balance the budget over the medium term through the Efficiency Strategy and the Integrated Risk Management Plan (IRMP)
- Higher than planned for pay awards as a result of the relaxation of the Government’s 1% pay cap and the ongoing national pay negotiations with the Fire Brigades Union (FBU)
- Any failure to agree permanent funding for the increase in employer’s contributions to the FPS as part of CSR
- Any financial impact of the withdrawal of West Sussex County Council from the Sussex Control Centre project
- The impact of the delays in the Emergency Services Communication project
- Uncertainty about future governance and funding including:
    - Proposals for the further (75%) localisation of business rates from 2020/21
    - The impact of the Fairer Funding Review beyond the current multi-year settlement
    - A Comprehensive Spending Review covering 2020/21 and 2021/22
    - The potential impact of the UK's decision to leave the EU
    - The impact of local growth development plans and additional housing, road and commercial risks
    - Development of local devolution proposals

- o Any further business case by the Police and Crime Commissioner for changes in fire service governance in Sussex
- o Potential changes to the role of the Authority resulting from the Hackitt and Moore-Bick inquiries

The Authority has made provision to manage financial risks and in year pressures through both the Reserves Strategy and a contingency within the Revenue Budget of £563,700 in 2019/20 decreasing to £208,300 by 2023/24.

4.9 In overall terms the assumptions set out in the report mean that the revised MTFP shows a balanced budget in 2019/20 and then a need to deliver further savings of £2.837m by 2023/24. In addition, given the uncertainty surrounding Business Rates Retention after 2019/20 and the outcome of the fairer funding review, it is recommended that the Authority plan for additional savings of £0.890m by 2023/24 (the annual reduction increasing to 7.5%). This gives a total savings target of £3.727m by 2023/24.

5 PROJECTED REVENUE POSITION 2018/19

5.1 The Service Revenue Budget for 2018/19 is £38.140m. Based on figures to the end of November 2018 the revenue budget is forecast to overspend by £130,000.

5.2 Efforts are being made to recover the overspend in-year and if that is not possible it is likely that the revenue contribution to capital from the revenue account will be reduced, bringing forward the need to borrow.

6 REVENUE BUDGET 2019/20

6.1 Impact of national funding changes on local position

6.1.1 The Revenue Budget Summary for 2019/20 and the MTFP have been updated to reflect the LGFS and the final information advised by the billing authorities on council tax base, business rates base and Collection Fund surpluses and deficits. The position is summarised below in Table 1.

Table 1 – Summary of Impact of Local Government Finance Settlement

	2019/20 £'000
Locally Retained Business Rates	7,931
Top Up Grant	2,865
Business Rates Baseline	10,796
Revenue Support Grant	0
Settlement Funding Assessment	**10,796**
Estimated value of Business Rates Pool	550
S31 Grant - Business Rates Adjustment	**375**

Total for comparative purposes	**11,721**
As reported to Fire Authority 6 September 2018	11,180
Increase/(decrease) in funding	**541**

6.1.2 The East Sussex Business Rates Pool has stopped for 2019/20 to allow the participation in a retained business rates pilot which was approved at Urgency Panel on 3 January 2019. At this stage an estimated £550,000 has been included as income from the pilot in the 2019/20 budget to be transferred into an earmarked reserve to be spent in accordance with the terms of the pilot. This is a change from the September update to the Authority.

6.1.3 The Authority's council tax base for 2019/20 is calculated as 290,540.50, an increase of 1.02% on 2018/19. The increased taxbase combined with a council tax increase of 2.94% yields additional income of £1.042m. The unusually low increase in the base is due to a decrease in the tax base of Lewes District Council of 0.74% where there has been a large increase in the number of people entitled to single person discount and the growth in the base between the years was significantly lower than expected.

6.1.4 The billing authorities have confirmed that there will be a surplus of £0.170m on the Council Tax Collection Fund and a deficit on the Business Rates Collection Fund of £0.069m for distribution in 2019/20. Members should note that any net collection fund surplus is a one-off benefit only.

6.1.5 The latest available figures from the LGFS are summarised below in Table 2.

Table 2: Movement in Resources

	2019/20 Latest position £'000	**2019/20 Fire Authority September 2018 £'000**	**Increase / (Decrease) £'000**
Locally Retained Business Rates	8,481	2,517	5,964
Business Rates Top up	2,865	5,086	(2,221)
Business Rates Baseline	11,346	7,603	3,743
Revenue Support Grant	0	3,157	(3,157)
Settlement funding assessment	**11,346**	**10,760**	**586**
Council Tax Collection Fund Surplus / (Deficit)	170	200	(30)
Business Rates Collection Fund Surplus / (Deficit)	(69)	(100)	31
Section 31 grant Business Rates adjustment	375	420	(45)
Transition Grant	0	0	0
Total Funding	**11,822**	**11,280**	**542**

Council Tax			
Council Tax Requirement	27,215	27,213	2
Total Resources	**39,037**	**38,493**	**544**

6.2 **Comparative position**

6.2.1 As part of the provisional LGFS the Government publishes an assessment of all authorities' core spending power. For 2019/20 this Authority's increase in core spending power is assessed as 2.7% which is 0.2% higher than the average for all combined fire authorities (see Appendix H). The Government's calculation of core spending power assumes that all authorities set a council tax increase at the referendum threshold. In terms of spend per 1,000 population this Authority ranks second out of 23 combined fire authorities based on actual expenditure for 2017/18 (source CIPFA Stats).

6.2.2 A comparison of Band D council tax for 2018/19 shows that this Authority ranks fourth highest out of 23 combined fire authorities. This position would remain unchanged for 2019/20 if this Authority were to increase its council tax by 2.94% and the three authorities above it in the rankings made no increase.

6.3 **Overview of current budget proposals**

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

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

6.3.2 The Authority has since 2010/11 achieved £8.744m of operational and non-operational savings. The current MTFP has a savings of an additional £0.414m in 2019/20.

6.3.3 Precepting status means that the Revenue Budget has to be balanced within the context of the impact upon council taxpayers and demands and pressures faced by the Fire Authority in meeting its statutory obligations, commitments and requirement to maintain an effective level of Reserves & Balances. The 2019/20 Revenue Budget has been prepared against a background of continued reductions in funding for public services as part of the Government's continuing deficit reduction strategy.

Table 3: Summary of Net Budget Requirement 2.94% council tax increase

	£'000	Change %
Original Estimate 2018/19	**38,140**	
Pay inflation	623	1.63%
Non pay inflation	214	0.56%
Changes in capital financing	0	0.00%
Commitments: see Table 4	473	1.24%
Savings: see Table 5	(413)	(1.08%)
Original Estimate 2019/20	**39,037**	**2.35%**

6.4 Consultation

6.4.1 The Authority carried out an 8-week public consultation on its Integrated Risk Management Plan (IRMP) 2017-2020. The full results of the consultation were reported to the Fire Authority at its meeting on 8 December 2016 (Item 959). It had a broader reach than in previous years as a result of an extensive communication strategy and concentrated engagement from Fire Authority members. The quantitative on-line survey received 528 responses and qualitative feedback was gathered at 3 consultation fora.

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

- the majority (79%) of respondents agreed that their local fire and rescue service offers value for money; only 6% disagreed
- around four fifths (81%) of respondents said they would be willing to pay more, through council tax, for their local fire and rescue service next year, with just under half (49%) saying that they would be willing to pay a small amount more through their council tax (up to a 2% increase) and around a third (32%) said that they would be willing to accept a larger increase in council tax (more than a 2% increase)
  Just under a fifth of respondents (19%) said that they didn't want an increase in council tax that year (2017/18).

6.4.3 No further consultation on council tax is planned this year, however there is no indication that the public position has changed. The budget proposals have been shared with key business representative groups, partners and employee representative bodies with an invitation to comment. No responses had been received by the end of January deadline.

6.4.4 Starting in 2019/20 the Authority will start again on a full review of its IRMP and this will involve public consultation including any proposals for council tax. The IRMP outcomes will be a significant driver to the future MTFP.

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 & Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. The main impact on the costs of providing these services is pay related. Therefore to reflect nationally agreed increases in pay and the overall level of budget provision for pay awards, it is proposed to increase fees and charges by 2.0% in 2019/20 except in some cases where other factors determine the increase.

6.5.3 As part of the Efficiency Strategy, officers are assessing the potential for developing new income / funding streams covering:

- Income Strategy Review
- Primary Authority Scheme
- Civic Crowdfunding
- Developer contributions

At this stage it is too early to include income targets for these areas in the revenue budget or MTFP.

6.6 Main Variations

6.6.1 In setting the 2019/20 Revenue Budget a number of commitments have already been agreed, either previously as part of the 2018/19 budget setting or from the 2019/20 budget setting and Star Chamber process. These add to or reduce the revenue budget as pressures and cyclical items and one-off projects come and recede. Some are fixed sum and others are driven by assumptions and the movement between the previous update in the summer and now is illustrated in the following table:

Table 4: 2019/20 Budget Commitments

	£'000
Removal of temporary increases	
Cessation of the Business Rates Pool income plans to spend in Business Safety	(150)
Fleet Strategy adjustments	(63)
Reduction in transfer to Sprinkler earmarked reserve to £150,000	(50)
Service pressures	
Reduce FireLink Grant by 10%	24
Reduce New Dimensions Grant by 10%	35
Service Delivery Review	370
Increase in Firefighter pension employers' contribution rate	1,618
S31 Grant to part fund Firefighter pension employer's contribution rate	(1,467)
Increase in LGPS employers’ contribution rate of 0.5% (21.9% to 22.4%)	25
Pay and Grading review impact on Support Service budget	136

SCC budget setting	(72)
Resilience Crewing one year only	240
ITG pressures	202
Business Rates pressure (Estates)	80
IRMP / Fire Cover review 2019/20 and 2020/21 only	100
HR & OD Impact of new structure	80
HR&OD new Occupational Health Contract	35
BRR pilot - one year only	550
Other adjustments	
Changes to Corporate Contingency	(20)
Reduction in Capital Expenditure funded from the Revenue Account	(1,200)
TOTAL	**473**

6.6.2 The material differences between those reported to the authority in September 2018 and this report are:

- The Grey Book restructure/regrade, following the implementation of the Service Delivery Review
- Increase in Firefighter pension employers' contribution rate and the S31 grant to part fund the pressure
- Resilience Crewing for one year only, to support the implementation of the recommendations from the Service Delivery Review
- ITG pressures- increases in IT revenue costs resulting from IT Strategy investments which will deliver efficiencies elsewhere across the service
  BRR pilot – additional income for one year only

6.6.3 In order to deliver a balanced budget Senior Leadership Team has sought to identify savings to contain the pressures set out above. This includes a reduction in the planned additional one off match funding for sprinkler installation from £300,000 to £150,000. A report setting out progress on this project and the rationale for this decision was approved by Scrutiny and Audit Panel on 31 January 2019. In addition the flexibilities within the revenue budget for capital expenditure supported by the revenue account (CERA) and Contingency budgets have been utilised although it should be noted that these latter items are not permanent savings and there is a net increase in planned expenditure over the medium term as a result.

6.7 Efficiency Strategy and Planned Savings

6.7.1 Since 2010/11 and to the end of this MTFP, the Authority has made, and has planned to make, savings totalling £9.274m of which £8.744m will have been delivered by the end of 2018/19. The budget setting process for 2019/20 has identified savings of £0.414m in 2019/20.

6.7.2 In September 2017 the Authority agreed to adopt a more strategic approach to delivering efficiencies that moved beyond previous approaches that had focussed on delivering savings necessary to balance the revenue budget. An update was provided to Policy and Resources Panel in November 2018 and concluded that:

- Good progress is being made but the work is still at a relatively early stage and this is reflected in the level of efficiencies identified so far
- Further work is required to identify and deliver a greater return on investment and specifically an increase in the level of cashable efficiencies delivered. SLT is committed to doing this as the Efficiency Strategy, and the activities within it are further developed and matured
- As the MTFP indicates, we need to be in a position to react to the new funding position for 2020/21 and have in place as a minimum sufficient cashable savings to balance the budget that year and in the subsequent three years (assuming the Government offers a four year settlement).
- Work on a new IRMP will commence in 2019/20 and that this will include an operational response review. This will assess the level of resource required to meet changing risk in the communities we serve, and provides a key opportunity to identify efficiencies from operational services that form the majority of the Authority's Revenue Budget.

6.7.3 Thus far the value of new efficiencies identified and included in the MTFP is £304,000 (this includes IT savings netted off against the pressure shown in table 4).

Table 5 Savings

CUMULATIVE CURRENT SAVINGS		**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2022/23**
Category	**Description**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operational	Unachievable 0.5% on Grey Book Pay 2018/19	95	95	95	95	95
2017/18 budget setting	Management Restructure	(30)	(35)	(35)	(35)	(35)
2019/20 budget setting	Green Book 1% Vacancy Factor.	(57)	(57)	(57)	(57)	(57)
2019/20 budget setting	Relocation expenses	(8)	(8)	(8)	(8)	(8)
2019/20 budget setting	NHS charges	(5)	(5)	(5)	(5)	(5)
2019/20 budget setting	Advertising	(5)	(5)	(5)	(5)	(5)
Efficiency Strategy	Telemetry	(5)	(5)	(5)	(5)	(5)
2019/20 budget setting	Engineering – Cutting Equipment funded in 18/19	0	(60)	0	0	0
Efficiency Strategy	Insurance costs (FRIC)	(188)	(188)	(188)	(188)	(188)
2019/20 budget setting	Finance - Orbis costs	(18)	(18)	(18)	(18)	(18)
2019/20 budget setting	Estates - Planned Maintenance	(5)	(5)	(5)	(5)	(5)
2019/20 budget setting	Estates - Reactive Maintenance	(4)	(4)	(4)	(4)	(4)
2019/20 budget setting	Procurement - consultants fees	(3)	(3)	(3)	(3)	(3)
2019/20 budget setting	Estates - Improvement Works	(1)	(1)	(1)	(1)	(1)
Efficiency Strategy	PPE & Workwear	0	(91)	(91)	(91)	(91)
2019/20 budget setting	RDS Pay	(50)	(50)	(50)	(50)	(50)
2019/20 budget setting	Group Prevention Budgets	(40)	(40)	(40)	(40)	(40)

2019/20 budget setting	Other operational savings	(49)	(69)	(69)	(69)	(69)
2019/20 budget setting	Safer Communities - Projects	(13)	(13)	(13)	(13)	(13)
2019/20 budget setting	Petroleum Licensing	(9)	(9)	(9)	(9)	(9)
2019/20 budget setting	Training Budget	(13)	(13)	(13)	(13)	(13)
2019/20 budget setting	Health, Safety and Wellbeing	(5)	(5)	(5)	(5)	(5)
TOTAL		**(413)**	**(589)**	**(529)**	**(529)**	**(529)**

7 CAPITAL PROGRAMME

7.1 The Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton and Hove. The Strategy has been updated to reflect the roll forward of existing policies but also the impact of the new Estates Strategy and the revisions to the profile of the fleet replacement. The investment in our facilities to achieve the standard set out in the design guide is expected to cost £4.021m over the life of the Strategy although savings in general schemes and fleet mean that only £1.756m has been added to the Strategy from 2018/19 to 2022/23. This includes £1.008m for the replacement of New Dimensions assets whose original purchase was funded by central government.

7.2 With the one-off use of capital receipt from the sale of Service Houses and the old Headquarters being consumed the Authority will, by the end of the Strategy be in a position where borrowing will be required. The Treasury Strategy will carefully consider the options, the Authority can use its own cash balances to smooth demand and borrow in a timely fashion. A practical estimate of an additional £38,000 in 2021/22, £181,000 in 2022/23 and £300,000 in 2023/24 has been included in the MTFP. At 31 March 2019 the Authority's debt will be £10.773m and will fall to £9.417m by the end of 2023/24 if no new borrowing is taken up.

Table 6: Change in Capital Investment 2018/19 to 2023/24

Revenue Impact of Capital Programme 2018/19 to 2023/24							
	Total resource	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	***2023/24***
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	***£'000***
2019/20 Strategy							
Fleet	11,299	1,331	3,352	2,720	2,137	1,758	*3,382*
Property	7,116	284	1,965	1,913	1,395	1,559	*1,684*
IMD	50	50	0	0	0	0	*0*
Total Cost	**18,465**	**1,665**	**5,317**	**4,633**	**3,532**	**3,317**	***5,066***
2018/19 Strategy							
Fleet	9,829	2,060	2,850	1,704	1,823	1,393	

Property	6,829	1,195	3,852	878	577	328	
IMD	50	50	0	0	0	0	
Total Cost	**16,709**	**3,305**	**6,702**	**2,581**	**2,400**	**1,721**	
Increase / (Decrease) in planned spend							
Fleet	1,469	(729)	502	1,017	315	365	
Property	287	(911)	(1,887)	1,036	818	1,231	
IMD	0	0	0	0	0	0	
Total Increase / (Decrease)	**1,756**	**(1,640)**	**(1,385)**	**2,052**	**1,133**	**1,596**	

7.3 The Estates element of the Capital Strategy is now based on the new Estates Strategy and design guide which appears elsewhere on this agenda and is due to be presented to the Fire Authority at its February 2019 meeting.

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 has been updated to reflect a template developed by the NFCC Finance Co-ordination Committee to promote greater consistency across the sector.

8.3 The Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The Strategy proposes a reduction in the minimum level of General Reserves from 8% to 6% of net revenue budget. The detailed risk assessment in Annexe A sets out the basis for this recommendation and why it is appropriate for the Authority to hold General Reserves above the level of 5% set out in the National Fire Framework. A review of the NFCC's Survey of Fire Reserves indicates that the average level of General Reserves held will reduce from 8.5% (31/03/2018) to 6.5% (31/03/2019) and then towards 5% by the end of 2021/22. The level of General Reserves held also reflects the current uncertainty about Fire Sector funding beyond 2019/20. A summary of the forecast year end reserves and balances position is set out in Table 7 below.

TABLE 7: Summary of Forecast Reserves

	31/03/2019 £'000	31/03/2020 £'000	31/03/2021 £'000	31/03/2022 £'000	31/03/2023 £'000	31/03/2024 £'000
Capital Programme Reserve	4,235	4,735	2,338	0	0	0
Other Earmarked Reserves	5,876	3,008	1,682	468	249	249

Total Earmarked Reserves	10,111	7,742	4,020	468	249	249
General Fund	2,417	2,417	2,417	2,417	2,417	2,417
Capital Reserves	9,430	3,649	0	0	0	0
Total Useable Reserves	**21,958**	**13,808**	**6,437**	**2,885**	**2,666**	**2,666**

9 CHIEF FINANCE OFFICER STATEMENT

9.1 In the view of the Treasurer in line with the requirements set out in Section 25 of the Local Government Act 2003, the estimates used for the purposes of calculating the budget, revenue and capital, have been produced in a robust and transparent way and the proposed financial reserves are consistent with Fire Authority policy and are prudent and necessary. Given the continuing reductions in funding for public services, the uncertainty around funding after 2019/20, the risks set out in this report and the nature of its business as an emergency service, the Authority needs to recognise that risks, financial and otherwise, and their consequent impact on the budget and reserves, may change during the year and will need to be continually monitored and reviewed in line with the Authority's policies.

10 EQUALITY IMPACT ASSESSMENT

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

10.2 All the new savings identified in the 2019/20 budget are non-operational except for the reduction in RDS budgets. A high level assessment has been completed and is available from the Clerks should Members wish to review it prior to approving the revenue budget. The assessment has considered both the investment and savings proposals with no identification of negative impacts from the savings proposals however some advantages can be seen from the investment in the property portfolio through the Estates Strategy and Design Guide.

APPENDIX A

MEDIUM TERM FINANCIAL PLAN 2019/20 - 2023/24
Increase Council Tax by 2.94% in 2019/20 and 1.94% thereafter

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Gross Revenue Service Budget	**40,156**	**40,393**	**41,401**	**42,293**	**43,185**
Less					
Specific grants	(1,692)	(1,669)	(1,649)	(1,631)	(1,614)
Other income	(1,962)	(2,011)	(2,061)	(2,112)	(2,165)
Total income	**(3,654)**	**(3,680)**	**(3,710)**	**(3,743)**	**(3,779)**
Net Service Budget	**36,502**	**36,713**	**37,691**	**38,550**	**39,406**
Capital financing costs less interest receivable	852	852	874	1,049	1,386
Capital expenditure from the Revenue Account	0	452	452	452	452
Transferred to Balances	1,683	1,049	1,065	1,092	1,092
Total Net Expenditure	**39,037**	**39,066**	**40,082**	**41,143**	**42,336**

Net Budget brought forward	**38,140**	**39,037**	**39,066**	**40,082**	**41,143**
Unavoidable cost pressures					
Pay inflation	623	587	596	610	621
Price inflation	214	206	201	207	212
Total inflation	**837**	**793**	**797**	**817**	**833**
Changes in Capital Financing	0	0	(16)	(44)	(182)
Budget commitments	473	(588)	175	288	542
Savings approved	(413)	(176)	60	0	0
Total Net Expenditure	**39,037**	**39,066**	**40,082**	**41,143**	**42,336**

Sources of Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Locally Retained Business Rates	8,481				
Business Rate Top Up	2,865				
Business Rates Baseline	**11,346**				
Revenue Support Grant	0				
Settlement Funding assessment	**11,346**	**10,256**	**9,743**	**9,256**	**8,793**
Section 31 Grant Business Rates adjustment	375	0	0	0	0
Council Tax Collection Fund (Deficit) / Surplus	170	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(69)	0	0	0	0
Council Tax Requirement	27,215	28,049	28,907	29,792	30,706
Total Resources Available	**39,037**	**38,305**	**38,650**	**39,048**	**39,499**
Additional Savings Required / (surplus)	**0**	**761**	**1,432**	**2,095**	**2,837**

Impact of an annual 7.5% reduction in central support

Total Resources Available	**39,037**	**38,035**	**38,144**	**38,336**	**38,609**
Additional Savings Required / (surplus)	**0**	**1,031**	**1,938**	**2,807**	**3,727**

Impact of 3% Council Tax Referendum Threshold 2020/21 – 2023/24

Council Tax Additional Income	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Increases at 2.94% pa.	**0**	**273**	**567**	**883**	**1,217**

APPENDIX B (i)

Revenue Budget Subjective Summary

	2018/19 Original Estimate £'000	2019/20 Original Estimate £'000
Salaries, Allowances and On-costs	26,382	29,628
Training Expenses	597	545
Other Employees Costs	307	68
Employee Costs	**27,286**	**30,241**
Repair, Maintenance and Other Costs	1,089	911
Utility Costs	1,264	1,448
Premises Costs	**2,353**	**2,359**
Vehicle Repairs and Running costs	984	1,003
Travel Allowances and Expenses	145	136
Transport Costs	**1,129**	**1,139**
Equipment and Supplies	1,309	1,194
Fees and Services	3,262	3,454
Communications and Computing	931	1,431
Other Supplies and Services	402	407
Supplies and Services	**5,904**	**6,486**
Sums set aside from revenue	1,631	431
Interest Payments	496	496
Capital Financing	**2,127**	**927**
Grants and Contributions	(543)	(2,196)
Interest Received	(75)	(75)
Other Income	(1,188)	(1,527)
Income	**(1,806)**	**(3,798)**
Transfers From reserves		
Transfers To reserves	1,148	1,683
Total Net Expenditure	**38,141**	**39,037**
Financed By:		
Council Tax	(26,173)	(27,215)
Business Rates	(7,594)	(11,346)
Revenue Support Grant	(3,660)	0
Transition Grant	0	0
S31 Grants	(412)	(375)
Collection Fund Surplus/Deficit Council Tax	(301)	(101)
Total Funding	**(38,140)**	**(39,037)**

APPENDIX B (ii)

Revenue Budget Objective Summary

	2018/19 Original Estimate £'000	2019/20 Original Estimate £'000
Training and Assurance	2,318	2,352
Resources/Treasurer	6,951	7,100
Planning and Improvement	1,139	1,322
Total Deputy Chief Fire Officer	**10,408**	**10,774**
HR and OD	911	1,147
Safer Communities	18,271	20,563
Operational Support	3,581	3,670
Total Assistant Chief Fire Officer	**22,763**	**25,380**
CFO Staff	655	656
Treasury Management	2,056	856
Non delegated costs	541	(818)
Corporate Contingency	569	506
Transfers to Reserves	1,148	1,683
Transfers from Reserves	0	0
Total Corporate	**4,969**	**2,883**
Total Net Expenditure	**38,140**	**39,037**

APPENDIX C

Fees and Charges
with effect from 1 April 2019

Fee	**Existing Fees 2018/19 £**	**New Fees 2019/20 £**
The hiring of a major pumping appliance with crew per hour	292	298
The hiring of other pumping vehicles with crew per hour	235	240
The hire of hydraulic platforms or turntable ladders with crew per hour	315	322
Large animal rescue per hour	292	298
Dry Riser (subsequent test at the owner's request):		
First Dry Riser	218	223
Additional Dry Risers	143	146
Interviews: *		
- Insurance co. etc.	143	146
- After two hours	93	95
Copy of Petroleum Licences *	35	36
Copy plans *	40	41
Standby at Venue	292	298
Fire Investigation Report	313	320
Chemical Protection Suit	163	167
Commercial Training One day course (per person)	179	183
Commercial Training Customers Site (per Session)	599	599
Commercial Training Fire Talk (per session)	375	383
Inspection of Plans for Marriage Act 1994 *	120	123
Environmental search fees *	112	115

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

APPENDIX D

THE CAPITAL STRATEGY 2018/19 to 2022/23
Formally the Medium Term Capital Strategy

INTRODUCTION AND BACKGROUND

Revision of Chartered Institute of Public Finance and Accountancy (CIPFA) Codes and Ministry of Housing, Communities and Local Government (MHCLG) Guidance

The framework in which treasury management operates was revised by the MHCLG and CIPFA during 2017/18, with full implementation expected by 2019/20. The changes were largely in response to a growing number of authorities increasing their use of non-financial investments (such as commercial property portfolios) to generate income in response to reducing resources to deliver their core services. The revised codes and guidance sought to increase transparency and to provide a single place to assess the proportionality of this activity in comparison to an authority's core services.

As part of this update, the Chartered Institute of Public Finance and Accountancy (CIPFA) revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional document, a Capital Strategy, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The purpose of the Capital Strategy is to drive the authority's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management in the context of the sustainable, long-term delivery of services.

The aim of this Capital Strategy is to ensure that all members of the Fire Authority fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

This Capital Strategy is reported separately from the Treasury Management Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs, investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Authority has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

Guidance issued by Link Asset Services, the Authority's Treasury Management Advisors, summarises the requirements issued by CIPFA within the code. It is expected that the Capital Strategy will:

- Apply a long-term approach: 20-30 years;
- Explore external influence on Capital Strategy e.g. Local Enterprise Partnership;
- Examine Commercial activity/ambition;
- Determine implications of Investment Strategy;
- Ensure corporate plan priorities drive identified capital investment ambition;
- Examine available resources and capacity to deliver;
- Assess affordability against ambition and address any gap;
- Identify capital financing principles;
- Demonstrate integration with other strategies and plans;
- Produce a 10-year capital investment plan, with actions, timescale, outputs and outcomes;
- Capture risks and mitigating factors;
- Outline governance, monitoring processes and procedures.

The Authority meets the requirements of this, with the exception of having a -year capital investment plan and the application of a 'significantly longer', long-term approach. Both the Fleet asset replacement programme and the Property Design Guide investment programme run for 15 and six years respectively but it is not felt appropriate at this stage, given funding uncertainty and the current financial climate, to have a 10 year programme. Rather that the programme period should (at least) cover the life of the medium term financial plan. The current programme which runs to 2022/23 does this. It will, however, be reviewed on an annual basis.

The Code requires that the strategy should form part of 'integrated revenue, capital and balance sheet planning'. For the Authority the Capital Programme has always been considered annually as part of the Medium Term Service Planning process and this document provides a formal Capital Strategy for approval, which will be reviewed on an ongoing basis. In 2019/20, there will be further development of the strategy in line with the revised code.

Overview

The Prudential Code requires that authorities demonstrate that they take capital expenditure and investment decisions in line with services objectives and have proper stewardship arrangements, provide value for money, are prudent, sustainability and affordability. The Authority's Capital Strategy defines and outlines its approach to capital investment and is fundamental to its financial planning processes. It aims to ensure that:

- capital expenditure contributes to the achievement of the Authority's strategic priorities;
- an affordable and sustainable capital programme is delivered;
- use of resources and value for money is maximised;
- a clear framework for making capital expenditure decisions is provided;
- a corporate approach to generating capital resources is established;
- access to sufficient long term assets to provide services are acquired and retained.

The Capital Strategy has been developed in line with the Authority's purpose and commitments and its Integrated Risk Management Plan. It aims to provide a sustainable and affordable level of investment to support our service provision to the communities of East Sussex and the City of Brighton & Hove. Where decisions have already been taken to change the service, which have capital investment implications, these are reflected in this strategy. The Strategy has been revised to take account of the interim review of the Fleet & Equipment Strategy and the new Estates Strategy which is subject to the approval of the Fire Authority on 14 February 2019.

The strategy reflects re-profiling of projects planned for delivery in 2018/19 which have been delayed across property and fleet.

The main areas covered within the strategy are summarised below.

Estates Strategy – General Schemes
This Strategy seeks to achieve property maintenance and improvements as identified by the most recent condition surveys undertaken in 2018 as part of the review of the Estates Strategy. This informs us of the overall cost prioritisation of work and ensures that the building stock can be sustained in effective working order on a long term basis. It also reflects the capacity of the Estates Team to deliver the required day-to-day services effectively. This includes the Estates related costs of the investment in our station end IT equipment and investment in excess of £1m in the Fire Training Units at Service Training Centre.

Estates Strategy – Investment Schemes
These Schemes reflect the improvements necessary to deliver the standards set out in the Design Guide across our estate (including STC but excluding Shared Investment Schemes shown below). They reflect the condition surveys carried out in 2018 and the overall cost includes a contingency of c15% and provision for inflation for the last three years of the Strategy.

Estates Strategy – Strategic Schemes
This part of the Strategy includes key strategic schemes to improve security and renewables across the whole estate and also to deliver upgrades to fuel tanks. The latter project is part of the Integrated Transport Project and once an updated business case is confirmed will be part funded by Fire transformation Grant held by Surrey CC on behalf of the ITF.

Estates Strategy – Shared Investment Schemes
The Authority has a programme of property schemes which involve shared investment with partners either through the One Public Estates Programme (East Sussex and Greater Brighton) and the Integrated Transport Function (ITF). This includes major refurbishments to existing sites and new build projects and these are summarised below:

- **Integrated Transport Function (ITF) – South Eastern Hub Workshop (Bexhill)** – the ITF, part of the wider Emergency Services Collaboration Project (ESCP), has identified the need for a new workshop site in the Bexhill area. The primary users of the site are expected to be this Authority and Sussex Police. Initial feasibility studies have been completed but have been assessed as unaffordable. Discussion with partners, through the ITF, on alternative approaches is ongoing and no material spend is expected until 2019/20. Should the project progress, some capital funding would be available from the Fire Transformation Grant awarded in 2015/16 to the fire partners in the ESCP. At this stage, an indicative sum of £1m for this Authority’s contribution is included.

- **Preston Circus Fire Station–** this station is the Authority's main asset in the City and we have determined that redevelopment of a modern, fit-for-purpose facility on the existing site is our preferred option. The project is at concept design stage and approval to proceed and to mobilise the project has been given. Interest from partners for use of surplus space at the site is being sought through the Greater Brighton One Public Estate (OPE) programme. Redevelopment with commercial office or residential accommodation is also being considered. The concept designs have incorporated the requirements set out in the Design Guide. The Scheme budget for the development of the space required by this Authority has been increased to £3.138m and works are expected to commence on site during 2019/20.

- **Lewes Fire Station** – the current Lewes Fire Station site forms part of the planned North Street Quarter redevelopment. As part of the redevelopment it is proposed that Lewes District Council provide a new fire station as part of an emergency services hub at the rear of the current North Street Police Station and the adjacent Springman House site. Discussions are continuing and in principle the project should be at no cost to the Authority, at this stage a budget of £250,000 has been included to cover internal project management and other costs.

- **Uckfield and Heathfield** – OPE projects to bring Sussex Police and SECAmb onto the existing fire station sites in Uckfield and Heathfield have been approved. The majority of the cost will be borne by the partners with the Authority's contributions budgeted at £100,000 and £50,000 respectively. Since the Authority gave approval, SECAmb has withdrawn from the Uckfield Scheme and work is underway with Sussex Police to review the project.

Information Technology Strategy

The completion of the SCC project is currently the only IT capital scheme within this strategy. The IT Strategy has been prepared covering the period 2017-2022 however at this stage none of the Strategy has been identified as Capital Expenditure. As more detail of Strategy item proposals are identified the classification will be kept under review and, if required approval to amend this Strategy will be sought in due course.

Fleet and Equipment Strategy

The Authority has a rolling programme of replacing its vehicle fleet in line with its agreed lifing policy. This encompasses fire appliances (approximately three each year), aerial appliances, ancillary vehicles and the light fleet (cars and vans). An interim review of the fleet replacement programme was carried out in 2018/19 and reduced the total number of appliances required by three. In addition a decision has been taken in principal to move from a single type of pumping appliance to a more flexible fleet, with pilot small and medium rescue pumps to be procured in 2019/20. The Capital Programme for Fleet was reduced for the remove the fire appliances 2018/19 Scheme from the Programme (a reduction of £1.343m) and increased for an additional provision for ancillary vehicles by £58,000. There were also changes the provision of response cars. Overall the new Capital Strategy reflects the re-profiling agreed as part of this variation. The cost of appliances has made an impact on the Capital Strategy. Aerial appliance has been revised from £675,000 to £700,000, an increase of 3.7%. Pumping appliances from £245,000 to £250,00, an increase of 2.04% although adding foam now costs £50,000 down from £65,000 a 23.08% decrease. A full review of the Fleet and Equipment Strategy will be carried out in 2019/20.

The Authority has taken on the national resilience assets and receives a New Burdens grant for their maintenance. These assets will require replacement during 2020/21 and in the absence of funding from Government the cost has been included in the Capital Strategy at £1,008,000. However, a review of local need for these assets will be completed prior to any final decision on replacement being made.

Most equipment replacement is funded through our revenue budget, however, schemes can be considered for capital funding where they meet certain criteria.

Detailed strategies for Property, IMD and Fleet and Engineering are available as separate documents.

Funding

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

- **Capital Grant**

General capital grant allocations from central government for fire authorities ended in 2014/15 and grant funding thereafter is on a wholly bid-for basis. The Authority has not submitted any bids for the duration of this Strategy. As noted above there is the potential for grant funding to be accessed through the ITF project.

- **Partner Contributions**

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

- **Capital Receipts**

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The Government did offer flexibilities for capital receipts generated between 2016/19, to be used to fund the revenue costs of transformation projects, however, given the Authority's position in terms of both funding of the capital programme (primarily through capital receipts) and the availability of one off revenue finance through its Reserves, the offer was not pursued. The disposal of 20 Upperton Road and the former Newhaven Fire Station in Fort Road (estimated at £0.515m in 2019/20) will be used to fund the Capital Strategy. As at 31 March 2019 it is estimated that there will unapplied capital receipts of £9.431m (Capital Receipts Reserve). It is the Authority's current policy to use capital receipts to fund the capital programme before using the Capital Programme Reserve (which is a revenue reserve).

- **Revenue Contributions**

The Authority can make revenue contributions to the cost of its capital expenditure either direct from its revenue budget or from reserves earmarked for capital schemes. As at 31 March 2019 it is estimated that there will be a balance of £4.234m in the Capital Programme Reserve (CPR). As part of the savings proposals agreed in February 2014 the revenue contribution to the CPR has fallen from £1.0m to £0.5m in 2017/18 and beyond. The Authority has also agreed to set aside additional funding from its revenue budget between 2018/19 and 2021/22 to help fund the costs of the Capital Programme in the absence of Government grant.

- **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 of financing costs to the Authority's revenue budget. As capital related reserves are spent down to fund the Capital Strategy, the Authority will need to consider recommencing borrowing and the MTFP currently reflects the revenue impacts from 2020/21.

The application of these funding sources to capital expenditure incurred during the year will be in the following order:

(a) Scheme specific income e.g. specific grants, partner contributions
(b) Capital receipts
(c) Revenue funding, directly from the revenue account (CERA)
(d) Capital programme earmarked reserves
(e) Borrowing

GOVERNANCE ARRANGEMENTS

The Authority's Constitution, including Financial Regulations and Contract Standing Orders, govern the capital programme as set out below:
All capital expenditure must be carried out in accordance with the financial regulations and the Authority's constitution;
Capital expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards;

- The Capital Programme is approved by the Fire Authority as part of the Authority's annual budget report sets the capital funding availability for the Authority and the prioritisation of funding;
- All schemes are formally approved into the capital programme by following the process set out in the financial regulations;
- Projects will usually only be added to, or removed from, the capital programme as part of the annual budget setting process. Any request outside of this processes would have to be approved by Policy and Resources Panel or Fire Authority;
- Officers are not authorised to commit expenditure without prior formal approval as set out in the Financial Regulations;
- Each scheme must be under the control of a responsible person/project manager.

In year, the Capital Programme is monitored and reported to the Senior Leadership Team (SLT) and then to Policy and Resources Panel and Fire Authority as appropriate, as part of the financial monitoring process.

RISK APPETITE

The Authority seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.

The Authority is exposed to a range of risks including:

- Financial risks related to the investment of the Authority's assets and cash flow, market volatility, currency etc.
- Macroeconomic risks related to the growth or decline of the local economy

- interest rates, inflation and to a lesser degree, the wider national and global economy
- Credit and counterparty risks related to investments, loans to institutions and individuals and counterparties in business transactions
- Operational risks related to operational exposures within its organisation, its counterparties, partners and commercial interests
- Strategic risks related to key initiatives undertaken by the Authority such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Authority meet its goals.
- Reputational risks related to the Authority's dealings and interests, and the impact of adverse outcomes on the Authority's reputation and public perception.
- Environmental and social risks related to the environmental and social impact of the Authority's strategy and interests.
- Governance risks related to ensuring that prudence and careful consideration sit at the heart of the Authority's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

Managing the Authority's risks is an area of significant focus for senior management and members, and the Authority adopts an integrated view to the management and qualitative assessment of risk.

The Authority aims to minimise its exposure to unwanted risks – those risks that are not actively sought and which carry no commensurate reward for the Authority through a range of mitigation strategies to the extent that it is cost-effective to do so.

SKILLS AND KNOWLEDGE

The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government Finance experience, who comply with their professional requirements for continued professional development. The Authority is further supported through an agreement with East Sussex County Council for Financial Services that gives officers access to support and advice from officers of East Sussex County Council as well as professional services including treasury, financial and tax matters. The Authority's Section 112 Officer is the officer with overall responsibility for Capital and Treasury activities and is also a qualified accountant.

CAPITAL STRATEGY 2018/19-2023/24
SCHEME SUMMARY AND FUNDING

Capital Programme Expenditure	Total Budget	Total Previous Year's Spend	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property									
Shared Investment Schemes									
Integrated Transport Project	1,000			100	800	100			**1,000**
- Partner contribution									
Integrated Transport Project net cost	**1,000**	**0**	**0**	**100**	**800**	**100**	**0**	**0**	**1,000**
One Public Estate									
- Heathfield	50			50					**50**
- Partner contribution									
- Heathfield net cost	**50**	**0**	**0**	**50**	**0**	**0**	**0**	**0**	**50**
- Lewes	250		50	200					**250**
- Partner contribution									
- Lewes net cost	**250**	**0**	**50**	**200**	**0**	**0**	**0**	**0**	**250**
- Preston Circus	3,138		50	1,000	1,900	188			**3,138**
- Partner contribution									
- Preston Circus net cost	**3,138**	**0**	**50**	**1,000**	**1,900**	**188**	**0**	**0**	**3,138**
- Uckfield	100		10	70	20				**100**
- Partner contribution									
- Uckfield net cost	**100**	**0**	**10**	**70**	**20**	**0**	**0**	**0**	**100**
Total Shared Investment Schemes	**4,538**	**0**	**110**	**1,420**	**2,720**	**288**	**0**	**0**	**4,538**

Capital Programme Expenditure	Total Budget	Total Previous Year's Spend	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Schemes									
Design Guide Schemes	4,021			727	899	587	812	996	**4,021**
BA Chambers works	405	355	50						**50**
Replacement Fuel Tanks	220			220					**220**
Sustainability	445	21		180	174	21	21	28	**424**
Security	160			42	56	18	18	26	**160**
Total Strategic Schemes	**5,251**	**376**	**50**	**1,169**	**1,129**	**626**	**851**	**1,050**	**4,875**
General Schemes	**3,925**	**0**	**244**	**786**	**784**	**769**	**708**	**634**	**3,925**
Total Property	**13,714**	**376**	**404**	**3,375**	**4,633**	**1,683**	**1,559**	**1,684**	**13,338**
Information Management									
Sussex Control Centre	**1,643**	**1,593**	**50**	**0**	**0**	**0**	**0**	**0**	**50**
Fleet and Equipment									
Aerial Appliances	1,400			700				700	**1,400**
Fire Appliances	7,320		270	1,600	1,250	1,350	1,200	1,650	**7,320**
Ancillary Vehicles	3,451		60	828	1,233	459	32	839	**3,451**
Cars	1,646		679	84	147	297	386	53	**1,646**
Vans	546			141	91	32	141	141	**546**
BA & Ancillary Equipment	1,003	681	322						**322**
Total Fleet and Equipment	**15,366**	**681**	**1,331**	**3,353**	**2,721**	**2,138**	**1,759**	**3,383**	**14,685**
Total Expenditure	**30,723**	**2,650**	**1,785**	**6,728**	**7,354**	**3,821**	**3,318**	**5,067**	**28,073**

CAPITAL STRATEGY FUNDING

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Funding Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants							
Sussex Control Grant	50						50
Other grants							
Sub Total	**50**	**0**	**0**	**0**	**0**	**0**	**50**
Useable Reserves							
Capital Receipts Reserve	46	6,296	3,649				9,991
Capital Programme Reserve			2,896	2,838	500	500	6,734
Breathing Apparatus Reserve	193						193
Sub total	**239**	**6,296**	**6,545**	**2,838**	**500**	**500**	**16,918**
Revenue Contributions	1,065	0	452	452	452	452	2,873
New Borrowing	0	0	0	502	2,414	4,004	6,920
Internal Borrowing	431	432	357	29	-48	111	1,312
Total funding	**1,785**	**6,728**	**7,354**	**3,821**	**3,318**	**5,067**	**28,073**

USE OF RESERVES

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Reserve						
Opening Balance	9,477	9,430	3,649	0	0	0
Transfers In	0	515	0	0	0	0
Transfers Out	46	6,296	3,649	0	0	0
Closing Balance	**9,430**	**3,649**	**0**	**0**	**0**	**0**
Capital Programme Reserve						
Opening Balance	5,840	4,235	4,735	2,338	0	0
Transfers In	500	500	500	500	500	500
Transfers Out	2,105	0	2,896	2,838	500	500
Closing Balance	**4,235**	**4,735**	**2,338**	**0**	**0**	**0**
Breathing Apparatus Reserve						
Opening Balance	193	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	193	0	0	0	0	0
Closing Balance	**0**	**0**	**0**	**0**	**0**	**0**

N.B.
The Capital Programme Reserve is an earmarked revenue reserve and is used in 2018/19 to contribute to increasing other revenue earmarked reserves.

APPENDIX E

Reserve Strategy

Introduction and Background

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

Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

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

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

Strategic Context

There are a number of reasons why a Local Government 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 year on year reductions in grant funding over the medium term. Due to the fact that funding for future Capital Projects and the IT Strategy is held as Earmarked Reserves, the overall level of reserves held by the Authority is currently still high, but will reduce significantly as these programmes are delivered.

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

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

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

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

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

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

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

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

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

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

The Authority currently sets its policy for the General Reserve at a minimum of 8% of its net revenue budget. Following a review as part of the budget setting process it is proposed that this is reduced to a minimum of 6%. The detailed risk assessment in Annexe A sets out the basis for this recommendation and why it is appropriate for the Authority to hold General Reserves above the level of 5% set out in the National Fire Framework. A review of the NFCC's Survey of Fire Reserves indicates that the average level of General Reserves held will reduce from 8.5% (31/03/2018) to 6.5% (31/03/2019) and then towards 5% by the end of 2021/22. The level of General Reserves held also reflects the current uncertainty about Fire Sector funding beyond 2019/20.

At the start of 2019/20, the General Reserve is forecast to represent 6.2% of the Authority's net revenue budget which is a positive 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 6% indicator would only be considered if there was significant variance or if resources were earmarked to another project.

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

A risk assessment of the adequacy of the Authority's General Reserve is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment for the coming financial year, 2019-20, 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 £2.363m. At the start of 2019/20 the General Reserve is expected to be £2.417m and therefore it will not be necessary to amend the amount based on the current risk assessment as the difference of £0.054m is not material.

Annual Review of Earmarked Reserves

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

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

- Improvement & Efficiency: This reserve is to enable the Authority to develop its collaborative approach to service delivery, support changes to services that will deliver efficiencies and respond to priority areas for service improvement. This includes support for the Authority's transformation programme and any costs that may arise from it including redundancy payments. Collaborative projects are also being progressed with a number of potential partners, many of which may require proportionate pump priming funding to realise future financial savings for all partners involved. Of the forecast balance of £0.850m at 1 April 2019 approximately £0.200m is allocated to specific projects for example FireWatch Implementation, 3F collaboration and the IECR pilot. The balance is available for future projects including the outcomes from the IRMP areas of focus.

- Insurance: The Authority has agreed to join 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. This is in line with the decision by the Authority in September 2018.

- Capital Programme: To support the provision of the capital infrastructure required to deliver the Authority's strategic priorities. There has been no core capital grant from Government since 2014/15 so the Authority must fund its own investment in capital assets. £0.5m each year is paid into this reserve from the Authority's revenue budget. As a result of the planned investment in the IT Strategy and the Estates Strategy it is forecast that this reserve will be exhausted before the end of the current planning period.

- Capital Receipts: Capital receipts not yet applied to capital expenditure. Under statute capital receipts may only be used to finance capital expenditure. Having disposed of its stock of service houses and its HQ building the Authority has only one surplus property, Fort Road, Newhaven and this is due for disposal in 2019/20. No further disposals are currently planned and this reserve will be fully utilised over the life of the current Capital Strategy, with the balance remaining at 31 March 2019 primarily being used to fund investment in the new Estates Strategy to bring our property assets up to the standard set out in the Design Guide.

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

- Sprinklers: as part of its policy of promoting the use of sprinklers the Authority has made provision for match-funding the retro-fitting of sprinklers in high risk / high rise residential premises. Two projects are currently underway, St. James House and Essex Place, and further plans are in the pipeline.

- Safer Business Training: This reserve holds the balance of income from the East Sussex Business Rate Pool which is to be used to fund Business Safety initiatives, in support of the Pool's aim to promote economic growth

- IT Strategy: The Authority has set aside funds to support the delivery of its IT Strategy including the contractual transformation milestones delivered by telent. This Reserve will be fully utilised by the end of 2021/22.

- ESMCP Readiness: this is grant funding from central government to fund the IT upgrades to the Sussex Control Centre that are required as part of the ESMCP. The timing of drawdown is currently expected during 2018/19 and 2019/20 but is dependent on national programme timescales due to be concluded in May 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. As with the ESMCP Readiness reserve the actual drawdown will depend on national decisions on roll out due to be concluded in May 2019.

- Wholetime Firefighter Recruitment Reserve: the 2016/17 revenue budget underspend was set aside in this reserve to fund the additional costs of the planned recruitment of 32 new Wholetime Firefighters over the period 2017/18 – 2019/20. The phasing of the use of this reserve will be reviewed in the light of updated workforce planning information.

- Business Rates Retention Pilot: holds the additional income from the East Sussex Pilot and will be split between financial stability and economic development as set out in the Memorandum of Agreement with other partners. It will be held initially to guard against the risk of the lower than planned income and plans will be developed for its use in 2020/21.

Annexe A – Risk Assessment of the Adequacy of General Reserves

Risk type	RISK	Likelihood	Impact	Net Impact
-			£m	£m
Abnormal weather conditions	A long hot summer, flooding in autumn and winter and heath land fires in the spring have all occurred in previous years resulting in excessively high operational costs (retained pay, overtime) and other support costs. In worst-case scenarios for civil emergencies, the Bellwin Scheme funding is available to support qualifying expenditure in excess of 2% of Revenue Budget	Medium	0.300	0.150
Pension Costs	With an ageing workforce and the increase in the normal retirement age the risk of ill health retirements is increasing and may exceed the existing budget provision.	Medium	0.100	0.050
External contracts	The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. The Authority maintains a bad debt provision based on aged debtor analysis but it would be insufficient to fully fund a loss from a major contract. Additionally, Public Sector procurement processes and contracts are coming under increasing scrutiny and could be open to legal challenge.	Low	0.250	0.063
Capital Programme / Projects	The Authority has a range of both revenue and capital projects planned for the next five years - there is the risk of cost overruns for a variety of reasons e.g. unforeseen ground conditions, planning approvals, technology risk	Low	1.000	0.250

Risk type	RISK	Likelihood	Impact	Net Impact
-			**£m**	**£m**
Loss of income	Income targets are set within the budget for a number of functions, for example commercial and service training, and the Authority also receives income from the investment of its cash balances where rates achieved continue to decline. Although the amounts involved are small relative to the overall budget they continue to present a risk in year	Low	0.500	0.125
Provision of services	The Authority has taken on delegated responsibility for the delivery of mobilisation and control functions for West Sussex Fire and Rescue Service under a S16 agreement. Failure to provide the service to the agreed performance levels could result in additional costs for the Authority	Low	0.500	0.125
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

Risk type	RISK	Likelihood	Impact	Net Impact
-			£m	£m
System/ Infrastructure Issues	In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required within short time constraints.	Low	0.500	0.125
Funding Issues	The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority.	Medium	0.500	0.250
Inflation	Whilst allowances for inflation have been made within specific budget lines, the uncertainty surrounding Brexit and the UK economy might lead to increased inflation.	Medium	0.200	0.100
Employment Issues	Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. Prolonged Action or issues would require funding from Reserves.	Medium	1.000	0.500
Estimated Reserve Requirement				2.363

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

Description	2019/20 Opening Balance 01/04/19 £'000	2019/20 Planned Transfers In £'000	2019/20 Planned Transfers Out £'000	Projected Closing Balance 31/03/20 £'000	Projected Closing Balance 31/03/21 £'000	Projected Closing Balance 31/03/22 £'000	Projected Closing Balance 31/03/23 £'000	Projected Closing Balance 31/03/24 £'000
Earmarked Reserves								
Improvement & Efficiency	850	0	(675)	175	0	0	0	0
Sprinklers	143	150	(250)	43	0	0	0	0
Insurance	249	0	0	249	249	249	249	249
RPE and Comms	0	0	0	0	0	0	0	0
ESMCP ESFRS readiness	765	0	(765)	0	0	0	0	0
ESMCP Regional Programme reserve	558	249	(485)	322	304	0	0	0
Responding to new risks Revenue	0	0	0	0	0	0	0	0
Safer Business Training	328	0	(164)	164	0	0	0	0
IT Strategy	2,222	483	(1,200)	1,505	854	219	0	0
Wholetime Firefighter recruitment	308	0	(308)	0	0	0	0	0
SCC	455	0	(455)	0	0	0	0	0
Business Rates Retention Pilot	0	550	0	550	275	0	0	0
Capital Programme Reserve	4,235	500	0	4,735	2,338	0	0	0

Total Earmarked Reserves	**10,113**	**1,932**	**(4,302)**	**7,743**	**4,020**	**468**	**249**	**249**
General Fund	2,417	0	0	2,417	2,417	2,417	2,417	2,417
Total Revenue Reserves	**12,530**	**1,932**	**(4,302)**	**10,160**	**6,437**	**2,885**	**2,666**	**2,666**
Capital Receipts Reserve	9,430	515	(6,296)	3,649	0	0	0	0
Total Capital Reserves	**9,430**	**515**	**(6,296)**	**3,649**	**0**	**0**	**0**	**0**
Total Usable Reserves	**21,960**	**2,447**	**(10,598)**	**13,809**	**6,437**	**2,885**	**2,666**	**2,666**

APPENDIX F

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

	£	£
NET BUDGET REQUIREMENT		**39,037,000.00**
Forecast Business Rates retained	8,481,000.00	
Top Up grant	2,865,000.00	
Total Base Line funding	11,346,000.00	
Add Revenue Support Grant	0.00	
Total Grant funding (excluding transitional/freeze grant)	11,346,000.00	
Transition Grant	0.00	
Section 31 Grant Business Rates adjustment	375,000.00	
Previous Year's Surpluses/(Deficits)	101,000.00	
Total Council Tax required		**27,215,000.00**
Tax base	**290,540.50**	
Basic Council Tax (Band D equivalent)		**93.67**

Basic Council Tax from above calculation		**Council Tax**
Band A	**6/9**	**62.45**
Band B	**7/9**	**72.85**
Band C	**8/9**	**83.26**
Band D	**9/9**	**93.67**
Band E	**11/9**	**114.49**
Band F	**13/9**	**135.30**
Band G	**15/9**	**156.12**
Band H	**18/9**	**187.34**

	Tax Base	Precept
Brighton and Hove	**90,038.50**	**8,433,906**
Eastbourne	**34,765.30**	**3,256,466**
Hastings	**25,865.00**	**2,422,775**
Lewes	**36,760.40**	**3,443,347**
Rother	**38,054.10**	**3,564,528**
Wealden	**65,057.20**	**6,093,908**
	290,540.50	**27,214,930**

APPENDIX G

Establishment and payroll budget

	FTE @ 1/4/2019	FTE @ 1/4/2020
Principal Officers	3	3
Wholetime Firefighter	339	339
RDS firefighter Units	219	219
Control Room Staff	38	38
Support staff	145.0	145.0

APPENDIX H

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

Local Authority	Settlement Funding Assessment	Compensation for under-indexing the business rates multiplier	Estimated Council Tax excluding Parish Precepts	Rural Services Delivery Grant	**Core Spending Power**	**Core Spending Power**	Percentage change in Core Spending Power from 2018-19 to 2019-20
	£ millions	£ millions	£ millions	£ millions	**£ millions**	**£ millions**	%
	2019-20	2019-20	2019-20	2019-20	**2019-20**	**2018-19**	
Avon Fire	15.766	0.350	27.012	0.000	**43.128**	**42.144**	2.3
Bedfordshire Fire	8.130	0.191	21.130	0.000	**29.450**	**28.674**	2.7
Berkshire Fire	10.232	0.229	23.224	0.000	**33.685**	**32.763**	2.8
Buckinghamshire Fire	7.349	0.165	19.741	0.000	**27.255**	**26.544**	2.7
Cambridgeshire Fire	8.768	0.196	20.188	0.000	**29.152**	**28.402**	2.6
Cheshire Fire	13.245	0.304	29.076	0.000	**42.624**	**41.565**	2.5
Cleveland Fire	14.454	0.300	11.945	0.000	**26.699**	**26.301**	1.5
Derbyshire Fire	13.011	0.288	24.393	0.000	**37.692**	**36.870**	2.2
Devon and Somerset Fire	21.961	0.511	52.752	0.424	**75.648**	**73.723**	2.6
Dorset and Wiltshire Fire	14.082	0.335	41.239	0.049	**55.705**	**54.177**	2.8
Durham Fire	10.433	0.228	17.994	0.000	**28.655**	**28.022**	2.3
East Sussex Fire	10.796	0.249	27.456	0.000	**38.501**	**37.472**	2.7
Essex Fire	24.591	0.530	46.375	0.000	**71.497**	**69.842**	2.4
Hampshire Fire	21.549	0.467	43.143	0.000	**65.159**	**63.660**	2.4
Hereford & Worcester Fire	7.632	0.182	23.654	0.109	**31.578**	**30.708**	2.8
Humberside Fire	19.799	0.410	23.116	0.000	**43.325**	**42.470**	2.0
Kent Fire	20.983	0.478	49.294	0.000	**70.755**	**68.835**	2.8
Lancashire Fire	23.816	0.503	30.594	0.000	**54.913**	**53.860**	2.0
Leicestershire Fire	13.112	0.289	21.589	0.000	**34.990**	**34.124**	2.5
Nottinghamshire Fire	16.008	0.348	25.401	0.000	**41.756**	**40.870**	2.2
Shropshire Fire	5.152	0.126	16.278	0.320	**21.876**	**21.184**	3.3