

EAST SUSSEX FIRE AUTHORITY

Meeting Fire Authority

Date 15 February 2018

Title of Report Fire Authority Service Planning processes for 2018/19 and beyond – Revenue Budget 2018/19 and Capital Strategy 2018/19 to 2022/23

By Chief Fire Officer and Assistant Director Resources / Treasurer

Lead Officer Warren Tricker, Finance Manager

Background Papers Fire Authority Service Planning processes for 2017/18 and beyond, Revenue Budget 2017/18 and Capital Strategy 2017/18 to 2021/22: Fire Authority 14 February 2017. 2018/19 Strategic Service Planning and Medium Term Financial Plan: Fire Authority 7 September 2017. Economic and Fiscal Outlook November 2017; Office of Budget Responsibility.

Appendices

- A – Medium Term Finance Plan 2018/19 – 2022/23
- B – Revenue Budget Summary 2018/19
- C – Fees and Charges
- D – Medium Term Capital Strategy 2018/19 – 2022/23
- E – Reserves and Balances Policy
- F – Precept for 2018/19
- G – Establishment 2018/19
- H – Local Government Financial Settlement (provisional)
Core Spending Power of Combined Fire Authorities
- I – Policy and Resources summary of discussion on draft budget proposals

Implications

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

PURPOSE OF REPORT To consider and approve the Fire Authority's Revenue Budget 2018/19, Capital Strategy 2018/19 – 2022/23 and Medium Term Finance Plan for 2018/19 – 2022/23.

EXECUTIVE SUMMARY

The Authority's budget proposals for 2018/19 were considered by the Policy & 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) will not be finalised until the Local Government Finance Report (England) 2018/19 has been approved by Parliament on 7 February 2018.

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 £0.686m of savings in 2018/19 and a total of £0.721m savings in total over the life of the MTFP.

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 three years of this Parliament.

The report outlines proposals for setting a balanced revenue budget for 2018/19, including commitments, growth bids and new savings. The Government's announcement of an increase in the level of increase in Council Tax that can be made without the need for a local referendum in 2018/19 and 2019/20 from 2% to 3% provides the Authority with some welcome flexibility. Two options are set out in the report:

- The Authority's existing strategy of increases of 1.94% each year in Council Tax between 2018/19 and 2022/23.
- Increases of 2.94% in 2018/19 and 2019/20 and 1.94% thereafter.

If the Authority chooses to approve the 2.94% option then this will provide flexibility in the short term to invest in existing priorities and it is proposed that additional funding of £200,000 in 2018/19 and £300,000 in 2019/20 is committed to support further investment in the Authority's existing policy of match-funding the retrofitting of sprinklers in high rise / high risk premises. In the medium term the additional funding will assist the Authority in managing the uncertainty and risk it faces in its funding after 2019/20, and reduce the level of savings currently forecast to be required to balance the budget by 2022/23.

A balanced budget for 2018/19 can be set under either option. The revised MTFP under the 1.94% option shows a need to deliver further savings of £0.930m by 2022/23. In addition given the uncertainty surrounding Business Rates Retention after 2019/20 it is recommended that the Authority plan for additional savings of £0.311m by 2022/23 (the

equivalent to losing inflationary growth in business rates and switching to a government grant). This gives a total additional savings target of £1.241m by 2022/23.

Under the 2.94% option shows a need to deliver further savings of £0.408m by 2022/23. With the additional savings of £0.311m by 2022/23 gives a total additional savings target of £0.719m by 2022/23.

Officers will continue to explore the potential for further savings to meet the identified target by 2022/23 through the activities set out in the Efficiency Strategy approved by the Authority in September 2017.

The Capital Asset Strategy (CAS) reflects the Authority's identified capital investment requirements for the next five years which can be financed from existing resources without the need to incur additional borrowing. A more fundamental review of both the CAS and our arrangements for the future funding of its delivery will be undertaken during 2018/19 to reflect the investment proposals in the new strategies for Estates and Fleet which are currently being developed. The budget also proposes measures to fully fund the IT Strategy agreed in June 2017.

The Authority has acted prudently in establishing reserves and balances to meet its assessed risks and to provide one off funding for specific priorities. The level of reserves held will reduce significantly over the life of the MTFP as the Authority continues to invest in its transformation programme and its capital assets. This use of reserves is essential in the absence of central government grant funding for either capital investment or fire transformation / reform at a local level.

At its meeting on the 18 January 2018 the Policy & Resources Panel discussed the Revenue Budget and Capital Programme. On balance the view of the Panel was that the Fire Authority should agree a Council Tax increase of 2.94% in 2018/19 and plan on the basis of a similar rise in 2019/20. However, the Panel was anxious that this decision did not send out the wrong signals and stressed that Officers should continue to focus on improving productivity, efficiency and effectiveness across the Service and that the savings target within the Medium Term Finance Plan (MTFP), either £0.7m or £1.2m (depending on the level of Council Tax increase agreed), should be regarded as a minimum threshold to be identified over the period. Members of the Panel saw particular opportunities arising from closer collaboration with other fire authorities and from partnership working. The full summary of the Panel's discussion is attached at Appendix I.

RECOMMENDATION

The Authority is recommended to approve:

1.
 - (a) an increase in council tax of 1.94% and thus approve:
 - (i) the budget proposals set out in this Report and the net budget requirement of £37.884m for 2018/19;
 - (ii) the council tax requirement of £25.917m; and

- (iii) the council tax and precepts as set out in Appendix F(i)

Or

- (b) 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 £38.140m for 2018/19;
 - (ii) the council tax requirement of £26.173m; and
 - (ii) the council tax and precepts as set out in Appendix F(ii)

2.

- (c) the capital programme for the next five years and the capital budget of £3.903m for 2018/19 and the plans to use capital grant, capital receipts and revenue contributions to finance capital expenditure;
- (d) that the policy aim of maintaining the General Reserve at 8% of the net revenue budget is continued;
- (e) that a further £2.077mm is transferred from the Capital Programme Reserve to the IT Strategy Reserve to ensure that the IT Strategy is fully funded
- (f) the fees and charges set out in Appendix C; and
- (g) that the Chief Fire Officer, after 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.

1 **INTRODUCTION**

- 1.1 The report sets out the proposed Revenue Budget for 2018/19, a revised MTFP for 2018/19 to 2022/23 as well as the proposed Capital Asset Strategy (CAS) and Capital Programme for the Authority for the period 2018/19 to 2022/23 for the Authority to consider. The report is based on the latest information available, but Members should note that government funding as described in the 2018/19 Local Government Finance Settlement may still be subject to change.
- 1.2 The Local Government Finance Settlement announced an increase in council tax referendum threshold from 2% to 3% for both 2018/19 and 2019/20. This Report

sets out two options for the Authority to consider, an increase of 1.94% in line with the Authority's existing Strategy (this would involve setting a net budget requirement of £37.884m, a council tax requirement of £25.917m and increasing band D council tax to £90.11 for 2018/19), or an increase of 2.94% in 2018/19 and an assumption that a similar increase would be applied in the following year (this would involve setting a net budget requirement of £38.140m, a council tax requirement of £26.173m and increasing band D council tax to £91.00 for 2018/19).

- 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 2022/23, savings from the change to appliance ridership proposals, the senior management restructure and other changes to spending plans, the multi-year local government finance settlement and latest information on council tax and business rates. Taken together these show that the Authority has already identified £0.721m of savings for delivery which would meet its funding gap up to 2020/21 and can continue its policy of using budget flexibility to make additional revenue contributions to fund the cost of the capital programme.
- 1.5 The level of savings required post 2019/20 will depend partly on the approach adopted by the Authority in relation to council tax increases. If the option of maintaining the 1.94% increase is taken then further savings will be required from 2020/21. If the 2.94% increase is taken then further savings are not needed until 2021/22 and the overall savings target is reduced.
- 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 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 for the next two years. 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 remains unclear however, whether the fire service will remain part of the Business Rates Retention regime beyond 2019/20 or move to receive funding via a Home Office grant. In addition there is a national Fairer Funding Review which could 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 1.4 per cent a year over the next five years, slowing a little over the next two (as public spending cuts and Brexit-related uncertainty weigh on the economy) and picking up modestly thereafter as productivity growth quickens. Levels of employment have grown more quickly than was generally expected with average hours worked per person remaining consistent.

- 2.2 The Government's stated fiscal mandate is to maintain the structural deficit as less than 2% of GDP. The OBR expect this will be achieved in 2018/19 when they forecast it to be 1.8%, falling to 1.5%, 1.3%, 1.2% and 1.1% in the following financial years. However it has achieved this largely by announcing fresh sales of RBS shares and by passing regulations that ease local and central government control over housing associations in England. In response, the Office for National Statistics has announced that it will treat them as private sector entities from the point at which the regulations take effect but whatever its statistical classification it seems equally likely that the Government of the day would choose to stand behind it.
- 2.3 The official UK bank interest rate increased from 0.25% to 0.5% in November 2017 and the Authority's advisors currently forecast a further rise to 0.75% during the second half of 2018/19.
- 2.4 The Government continue to set the target for CPI at 2%. The November figure was 2.8% (the same as the previous month) and the OBR expect it to fall to 2.4% in 2018 and 1.9% in 2019 before stabilising at 2%.

3 NATIONAL FUNDING

- 3.1 The provisional Local Government Finance Settlement was announced on the 19 December 2017. 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 has been 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 Local Government Finance Settlement (provisional) has increased the referendum threshold to 3% for 2018/19 and 2019/20. The Authority had confirmed its planning assumption of a council tax increase of 1.94% each year until 2022/23 however this report considers the impact of a larger increase in terms of additional funding for key policy investment and protection of funding base in future years.
- 3.3 The Local Government Finance Report (England) 2018/19 is due to be debated in mid-February when, if 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 The multi-year settlement does not address the remaining three years of the Authority's MTFP and 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 at the same rate to the end of this MTFP.
- 3.5 The Government has extended reliefs on business rates for small and rural businesses and brought forward the switch from RPI to CPI for business rates annual uplift. The provisional settlement indicates that losses will be compensated for by a section 31 grant. The provisional settlement relies on government core spending figures, whereas the actual amounts shown in the MTFP are based on billing authorities NNDR1 returns at the end of January.
- 3.6 There has been no announcement on 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 Local Government Finance Settlement (LGFS) and offers two options for council tax increases. It includes the final information on business rates and council tax. The risks set out in paragraph 4.9 below and the potential for further reductions in public spending makes forecasting the position for the last three 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 2022/23 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 (c.13% 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
 - section 31 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 1.55% for 2018/19, 1.0% in 2019/20 and 0.6% thereafter;
 - Increases of 1.94% in Council Tax each year from 2018/19 onwards, or alternatively 2.94% in 2018/19 and 2019/20 and 1.94% thereafter;
 - Net provision for pay increases of 1.5% for operational staff and 2.0% for all other staff in 2018/19 and 2.0% for all staff 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

- 4.3 The East Sussex Business Rates Pool was dissolved for 2017/18 as partners wished to mitigate the risk posed by the 2017 Revaluation. A bid has successfully been made to re-establish the Pool for 2018/19. It is estimated that the Pool will generate an extra £150,000 in Retained Business Rates to the Authority in 2018/19 which will be added to the business safety training budget for 2018/19.
- 4.4 Overall, current forecasts for Collection Funds indicate an expected deficit on the business rates collection fund of £73,400 and a surplus on the council tax collection fund of £374,100, meaning an overall estimated net surplus of £300,700.
- 4.5 For 2018/19 pay inflation for all terms and conditions is 2.0% which equates to £526,000 and included in the savings there is a reduction of £125,000 which equates to 0.5% of the total pay bill bringing the net provision to 1.5% for all terms and conditions. The support staff pay award for 2018/19 has already been agreed at 2.0% which makes that element of the saving, £27,000, unachievable and reduces the saving to £98,000.
- 4.6 There remains a degree of uncertainty on the pay settlement for grey book staff for both 2017/18 and 2018/19. For the former, negotiations continue albeit an interim payment of 1% has been agreed. For 2018/19 onwards the Autumn Statement signalled a potential relaxation of the 1% pay cap for those services with an independent pay review body and where recruitment and retention challenges or delivery of efficiencies were demonstrated. The cost of additional pay awards to Police in 2017/18 was expected by Government to be met from existing resources (i.e. Police reserves). On this basis our view is that the assumptions in the MTFP are appropriate.
- 4.7 The assumption for price inflation in the 2018/19 revenue budget and the remainder of the MTFP is 2.5%. Forecasts of CPI broadly match this in 2018/19 and 2019/20 however fall to circa 2.0% thereafter. However the RPI forecasts remain at 3.0% throughout this period which indicate 2.5% assumption to be appropriate.
- 4.8 The MTFP now forecasts for the 1.94% council tax increase option net expenditure increase of 1.3% in 2018/19, a decrease of 0.1% in 2019/20, and increases of 0.7%, 2.5% and 1.9% in subsequent years. In the 2.94% council tax increase option the net expenditure increases are 2.0% in 2018/19 and 0.7%, no increase 0.1%, 1.9% and 1.9% increases in subsequent years. Considering all of the underlying assumptions set out above in paragraph 4.2 and the Authority's savings plans, this indicates that the Authority can achieve a balanced budget for 2018/19.

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

- Our ability to deliver the savings set out in the MTFP through the Efficiency Strategy
- Higher than planned for pay awards as a result of the relaxation of the Government's 1% pay cap
- Any delay to the go-live of the Authority's new mobilising system beyond 31 March 2018
- The impact of the Emergency Services Communication project
- Uncertainty about future governance and funding including:
 - o Proposals for the further (75%) localisation of business rates from 2020/21
 - o The potential for fire service funding from the Business Rate Retention regime to be replaced with a Home Office grant from 2020/21
 - o The impact of the Fairer Funding Review beyond the current multi-year settlement
 - o A Comprehensive Spending Review covering 2020/21 and 2021/22
 - o The impact of economic growth on income from both business rates and council tax (including the impact on the cost of the local council tax reduction scheme)
 - o The potential impact of the UK's decision to leave the EU
 - o The impact of local growth development plans and additional housing, road and commercial risks
 - o Development of local devolution proposals

The Authority has made provision to manage financial risks and in year pressures through both the Reserves and Balances Policy and a contingency within the Revenue Budget, £513,000 for the 1.94% council tax increase option decreasing to £300,000 over the life of the MTFP and £569,300 for the 2.94% increase decreasing to £350,000 by 2022/23. The figure for 2018/19 is higher than originally planned by almost £200,000 as a result of higher than forecast funding from S31 grant, greater growth in council taxbase and a better collection fund position. This will assist the Senior Leadership Team in managing in year risks including those around the pay settlement and emerging pressures within Human Resources and Sussex Control Centre.

4.10 In overall terms the assumptions set out in the report mean that the revised MTFP with the 1.94% council tax increase option shows a balanced budget in 2018/19 and 2019/20 and then a need to deliver further savings of £0.930m by 2022/23. In addition, given the uncertainty surrounding Business Rates Retention after 2019/20, it is recommended that the Authority plan for additional savings of £0.311m by 2022/23 (the equivalent to losing inflationary growth in business rates and switching to a government grant). This gives a total savings target of £1.241m by 2022/23.

- 4.11 In the case of the 2.94% council tax increase option the MTFP shows a balanced budget in 2018/19, 2019/20 and 2020/21 and then a need to deliver further savings of £0.408m by 2022/23 and with recommended plan for additional savings of £0.311m by 2022/23 (the equivalent to losing inflationary growth in business rates and switching to a government grant) a total savings target of £0.719m by 2022/23.

5 PROJECTED REVENUE POSITION 2017/18

- 5.1 The Service Revenue Budget for 2017/18 is £37.403m. Based on figures to the end of November 2017 the revenue budget is forecast to underspend by £454,000.
- 5.2 No decision on the use of the underspend is required at this point, but it is likely that Officers will recommend it is transferred to the Improvement and Efficiency Reserve to support the investment that will be needed to realise the Efficiency Strategy.

6 REVENUE BUDGET 2018/19

6.1 Impact of national funding changes on local position

- 6.1.1 The Revenue Budget Summary for 2018/19 and the MTFP have been updated to reflect the Local Government Finance Settlement (provisional) 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

	2018/19 £'000
Locally Retained Business Rates	2,617
Top Up Grant	4,977
Business Rates Baseline	7,594
Revenue Support Grant	3,660
Settlement Funding Assessment	11,254
Estimated value of Business Rates Pool included above	150
Transition Grant	0
S31 Grant - Business Rates Adjustment	412
Total for comparative purposes	11,816
As reported to Fire Authority 7 September 2017	11,378
Increase/(decrease) in funding	438

- 6.1.2 The application to reform the East Sussex Business Rates Pool has been approved. At this stage, we have included £150,000 income from the Pool within the 2018/19 budget, a change from the September update to the Authority.

- 6.1.3 The Authority's council tax base for 2018/19 is calculated as 287,611.38, an increase of 1.55% on 2017/18. If the Authority were to increase its council tax as currently modelled by 1.94% this would provide income of £25.917m. An increase of 2.94% yields additional income of £0.256m using the 2018/19 council tax base.
- 6.1.4 The billing authorities have confirmed that there will be a surplus of £0.374m on the Council Tax Collection Fund and a deficit on the Business Rates Collection Fund of £0.073m for distribution in 2018/19. Members should note that any net collection fund surplus is a one-off benefit only.
- 6.1.5 The latest available figures from the Local Government Finance Settlement (provisional) indicate that the Autumn Budget announcement regarding the bringing forward of the change in indexation for the uplift of business rates from RPI to CPI has decreased income from locally retained business rates however this is compensated for within the increase in the section 31 grant. The position is summarised below in Table 2.

Table 2: Movement in Resources

	2018/19 Latest position £'000	2018/19 Fire Authority September 2017 £'000	Increase / (Decrease) £'000
Locally Retained Business Rates	2,617	2,476	141
Business Rates Top up	4,977	4,976	1
Business Rates Baseline	7,594	7,452	142
Revenue Support Grant	3,660	3,660	0
Settlement funding assessment	11,254	11,112	142
Council Tax Collection Fund Surplus / (Deficit)	374	210	164
Business Rates Collection Fund Surplus / (Deficit)	(73)	(100)	27
Section 31 grant Business Rates adjustment	412	266	146
Transition Grant	0	0	0
Total Funding	11,967	11,488	479
Council Tax			
Council Tax Requirement (1.94% option)	25,917	25,776	141
Total Resources	37,884	37,264	620
Council Tax Requirement (2.94% option)	26,173	25,776	397
Total Resources	38,140	37,264	876

6.2 **Comparative position**

6.2.1 As part of the provisional Local Government Finance Settlement the Government publishes an assessment of all authorities' core spending power. For 2018/19 this Authority's increase in core spending power is assessed as 1.3% which matches 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 fifth out of 18 combined fire authorities based on actual expenditure for 2016/17 (source CIPFA Stats – five authorities did not submit returns).

6.2.2 A comparison of Band D council tax for 2017/18 shows that this Authority ranks fourth highest out of 23 combined fire authorities. This position would remain unchanged for 2018/19 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 further develop and implement an Integrated Risk Management approach to our Strategic Plans and services to local communities
- (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 identified that it had a funding gap of £7.1m in July 2013 and subsequently embarked on a phased programme called 'Changing the Service, Shaping our Future' to identify and evaluate savings proposals. Through this Programme the Authority has since approved a range of operational and non-operational savings proposals which have, in combination with pre-existing savings initiatives, so far delivered revenue budget savings totalling £5.914m with a further £0.721m identified for delivery by 2022/23.

6.3.3 The Authority reviewed its strategy and IRMP during 2016/17, and following public consultation has agreed a new purpose and commitments, and set a range of IRMP priorities. We have aligned the budget setting process to this review and will continue to do so as the IRMP priorities are developed further. This will ensure that

the Authority can match service priorities to available resources and achieve financial sustainability over the medium term. At this stage the only direct financial implications from the IRMP are for the Immediate Emergency Care Responding (IECR) pilot for which funding was agreed from a combination of earmarked reserves and existing revenue budgets.

- 6.3.4 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 2018/19 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 3a: Summary of Net Budget Requirement 1.94% council tax increase option

	£'000	Change %
Original Estimate 2017/18	37,403	
Pay inflation	526	1.41%
Non pay inflation	221	0.59%
Changes in capital financing	(16)	(0.04%)
Commitments: see Table 4	436	1.17%
Savings: see Table 5	(686)	(1.83%)
Original Estimate 2018/19	37,884	1.29%

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

	£'000	Change %
Original Estimate 2017/18	37,403	
Pay inflation	526	1.41%
Non pay inflation	221	0.59%
Changes in capital financing	(16)	(0.04%)
Commitments: see Table 5	692	1.85%
Savings: see Table 6	(686)	(1.83%)
Original Estimate 2018/19	38,140	1.97%

6.4 Consultation

- 6.4.1 The Authority carried out an eight week public consultation on its Integrated Risk Management Plan 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 three 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 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.

6.5 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 B gives details of increases in fees and charges for Fire and Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. The main impact on the costs of providing these services is pay related. Therefore to reflect nationally agreed increases in pay and the overall level of budget provision for pay awards, it is proposed to increase fees and charges by 1.5% in 2018/19 except in some cases where other factors determine the increase.

6.5.3 Officers have investigated the opportunities to make charges and have reviewed potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged. Of these, animal rescue and lift rescue have been considered but have had the impact of demand management rather than income generation.

6.6 Main Variations

6.6.1 In setting the 2018/19 Revenue Budget a number of commitments have already been agreed. 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: 2018/19 Budget Commitments

	£'000
Removal of temporary increases	
Removal of funding for additional pension advice.	(14)
Removal of local funding for ESMCP.	(53)
Removal of budget for the transfer of the Transition grant to Improvement & Efficiency reserve.	(122)
Removal of temporary funding for legacy mobilising system.	(272)
Removal of accumulated funding for sprinklers in high risk / high rise residential areas (2 years).	(105)
Removal of additional funding for staffing pressures at SCC.	(120)
Cessation of Estates Project Support Officer (SHQ relocation).	(15)
Cessation of Senior Estates Surveyor (strategy and development of project proposals).	(40)
Cessation of the Procurement Officer post.	(37)
Removal of IRMP Consultation.	(30)
Removal of pressure on RPE maintenance contracts.	(35)
Other adjustments	
Adjustment to align SCC income	10
Business Rates Pool income to the Safer Business Training budget	150
Increase in the level of capital expenditure funded from the revenue account.	663
Reduction in the Corporate Contingency.	(45)
TOTAL	(66)

6.6.2 Should the option to increase council tax by 2.94% in 2018/19 and 2019/20 be approved there would be an additional commitment of £200,000 of a budgeted transfer to the Sprinkler earmarked reserve and the adjustment to the Corporate Contingency will become a £11,000 increase bringing the table total to a £190,000 increase.

6.6.3 The Business Planning and Budget Setting process has identified in-service savings opportunities, pressures on service budgets and bids to increase budgets. Corporate Management Team considered these items at their meetings in November and in December 2017 and agreed to their inclusion in the 2018/19 Revenue Budget and MTFP. Table 5 below shows the items and accompanying narrative and value.

Where savings have been identified, they are included in the Savings Table (Table 6).

Table 5: New Budget Commitments

Service pressures	
Effects of Support Staff Pay and Grading Review	135
ITG Strategy adjustment	(54)
Anticipated reduction in FireLink Grant by 10%.	14
Increase in LGPS employer's contribution rate of 0.5 percentage points (21.4% to 21.9%).	23
Anticipated reduction in New Dimensions Grant by 10%.	5
Adjustments to the Engineering budget for cyclical replacement.	10
Service Growth	
Senior Estates Surveyor for 12 months to support Estates Strategy (slipped from 17/18)	42
Increase in Business Rates following national revaluations in 2017	100
PPE/Workwear increase until new contract on 29 November 2019 plus £44,000 non achievable saving.	80
Temporary Procurement Officer post made permanent to resource existing procurement workloads	41
HQ Shuttle bus for 2018/19, half cost share with Police	20
Service fitness Instructor increase 0.4 to 1.0 fte to support Health, Safety & Wellbeing Strategy	28
Cost of Health & Safety restructure	38
Cost of Planning and Improvement restructure	20
TOTAL	502

6.7 Savings Plan

6.7.1 Since 2010/11 the Authority has made, and has planned to make, savings totalling £8.779m of which £8.058m will have been delivered by the end of 2017/18. The expenditure plans also reflect the delivery of the savings agreed as part of the 2016/17 budget. The estimated savings starting from 2018/19 include various operational and non-operational savings, savings from the Management Restructure, the Riding at Standard proposals, the SHQ Relocation Project and a number of newly identified savings from this budget setting process.

6.7.2 Officers will continue to explore the potential for further savings to meet the identified target by 2022/23 through the activities set out in the Efficiency Strategy approved by the Authority in September 2017. The Authority builds on its existing initiatives to

develop a more strategic approach to delivering efficiency and this will include the following:

- Closer alignment of the budget setting and business planning process;
- The modelling of a range of savings / efficiency scenarios beyond that required to balance the budget as set out in the MTFP
- Planned reviews of Governance and Collaboration, the latter to include clearer criteria for assessing collaborative opportunities to ensure the Authority can prioritise / focus its effort in this area;
- Reviews of all existing programmes, projects and collaborative initiatives to evaluate the potential financial impact including the potential to deliver efficiency savings;
- Evaluation of the potential financial and performance impact of the 10 focus areas of the IRMP;
- Standard template for strategies to include requirement to set out opportunities for delivering efficiencies or improving outcomes for communities;
- Development of more robust standard approaches to evaluating new projects through feasibility and business case stages, with a clear focus on identifying investment requirements and benefits identification / realisation including efficiencies (as part of the development of the Programme Management Office);
- A clearer focus on the identification and delivery of efficiency savings through the Procurement Strategy and its supporting category management plans;
- The recommencement of the Support Service Review;
- Review with telent of opportunities for delivering further efficiencies through IT;
- Learning from the outcomes of the planned external review of HR processes and determine whether the approach has wider benefits across the organisation;
- Re-assessment of the use of the Improvement & Efficiency Reserve with a focus on supporting invest to save initiatives;
- Considering the potential of investment through the Capital Asset Strategy to deliver ongoing efficiencies;
- A review of opportunities for potential commissioning of services (Yr 2);
- The assessment of opportunities for further development of benchmarking (with a focus on efficiency and effectiveness) across the fire service (Yr 2);
- A review of the opportunities for income generation through fees and charges, trading and other commercial opportunities (Yr 2).

Table 6: Savings

CUMULATIVE CURRENT SAVINGS		2018/19	2019/20	2020/21	2021/22	2022/23
Category	Description	£'000	£'000	£'000	£'000	£'000
Non Operational	Various reductions in Health and Safety budget to reflect changes in working practices	(4)	(4)	(4)	(4)	(4)

Non Operational	Uniform – based on proposals to reduce operational posts (was £44,000)	0	0	0	0	0
Non Operational	Reduce provision for pay increases from 2% to 1.5% from 2016/17 to 2018/19 (was £125,000)	(97)	(97)	(97)	(97)	(97)
Phase 2	Riding at Standard	(280)	(280)	(280)	(280)	(280)
Further additional	Management Restructure	(29)	(59)	(64)	(64)	(64)
Further additional	HQ relocation	(70)	(70)	(70)	(70)	(70)
New	Saving on ITG contracts following renegotiation.	(80)	(80)	(80)	(80)	(80)
New	Saving on Financial Services contract with ESCC	(41)	(41)	(41)	(41)	(41)
New	Saving on External Audit fee; PSAA 2018/19 scale of fees	(10)	(10)	(10)	(10)	(10)
New	Employers contributions for Firefighters pensions	(75)	(75)	(75)	(75)	(75)
TOTAL		(686)	(716)	(721)	(721)	(721)

7 CAPITAL PROGRAMME

7.1 The Medium Term 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 CAS has been updated to reflect the roll forward and continue the themes of cyclical replacement and improvement of the assets of the Authority. There will be a more fundamental review of the CAS and our funding strategy once the review of the Estates Strategy and Fleet Strategy are completed during 2018/19. By early 2018/19 the Authority should also have clarity on the costs and funding for two Integrated Transport Function Projects (Fuel Tanks and South East Workshop). The main additions are revisions to the existing Fleet Strategy including £0.840m for the replacement of New Dimensions assets whose original purchase was funded by central government.

7.2 With no requirement to borrow over the five year term of the existing Strategy, the only revenue impact is the changes to the assumptions on levels of interest used on balances. At 31 March 2019 the Authority's debt will be £10.773m and will fall to £9.817m by the end of 2022/23.

Table 7: Revenue Impact of Capital Programme 2017/18 to 2022/23

Revenue Impact of Capital Programme 2017/18 to 2022/23							
	Total resource	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fleet	12,791	2,962	2,060	2,850	1,704	1,823	1,393
Property	7,647	818	1,195	3,852	878	577	328
IMD	173	123	50	0	0	0	0
Total Gross Cost	20,611	3,903	3,305	6,702	2,581	2,400	1,721
Cost of 2017/18 Strategy	19,574	4,677	5,937	2,553	1,731	4,677	
Increase (decrease)	1,037	(774)	(2,632)	4,149	850	(2,277)	1,721
Revenue implication	5,528	944	930	930	929	911	884
Previously forecast revenue implication	4,644	944	930	930	929	911	0
Total Revenue Cost (Saving)	0	0	0	0	0	0	

7.3 The Estates element of the CAS is based on the existing Estates Strategy and condition survey. The approach to the Authority's built environment and Facilities Management is subject to a review and future CAS will reflect the outcomes of this.

7.4 Reserves and balances are held in accordance with the Authority's agreed policy, and the table below summarises their current values and planned use over the period. The position is based on the latest forecasts for the Capital Programme. The level of reserves held is expected to reduce over the next five years and by 2022/23 will comprise primarily an unallocated risk provision of a General Balance of 57% of total reserves and resources to fund the Capital Asset Strategy without recourse to borrowing of 38% of total reserves.

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 Policy is set out in Appendix E and states that, in considering the general level of reserves, the Treasurer will have regard to:

- the strategic, legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;
- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process

8.3 Specifically, the Authority is required to maintain general reserves sufficient to cover the key financial risks that it faces. The level of reserves and their forecast use will depend on the council tax increase option taken. A summary of the forecast year end reserves and balances position is set out in Table 8 below.

TABLE 8a: Summary of Forecast Reserves and Balances 1.94% council tax increase

	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	5,812	4,235	4,735	4,357	2,937	2,099
Other Earmarked Reserves	4,284	3,889	1,982	1,103	468	249
Total Earmarked Reserves	10,096	8,123	6,717	5,460	3,405	2,348
General Fund	3,142	3,142	3,142	3,142	3,142	3,142
Capital Reserves	7,668	6,559	895	0	0	0
Total Useable Reserves	20,906	17,824	10,754	8,602	6,547	5,490

TABLE 8b: Summary of Forecast Reserves and Balances 2.94% council tax increase

	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	5,812	4,235	4,735	4,357	2,937	2,099
Other Earmarked Reserves	4,284	4,089	2,232	1,103	468	249
Total Earmarked Reserves	10,096	8,323	6,967	5,460	3,405	2,348
General Fund	3,142	3,142	3,142	3,142	3,142	3,142
Capital Reserves	7,668	6,559	895	0	0	0
Total Useable Reserves	20,906	18,024	11,004	8,602	6,547	5,490

8.4 A review of Reserves and Balances concludes that it is reasonable to continue with a policy aim of maintaining a General Fund balance of 8% of the net Revenue Budget. This equates to either £3.031m (1.94% CT increase) or £3.051m (2.94% CT increase) depending on the council tax option chosen which is marginally below the current level held.

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 to 2020, the uncertainty around funding after 2020 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. The majority of savings included in the 2018/19 Revenue Budget were approved by the Fire Authority prior to the setting of the 2016/17 budget and Equality Impact Assessments were prepared at the time. All the new savings identified in the 2018/19 budget are non-operational and a high level assessment has been completed and is available from Democratic Services should Members wish to review it prior to approving the revenue budget. The Equality Impact Assessment for any new savings proposals will be developed and reported as approval for each proposal is sought.

Appendix A (i)

MEDIUM TERM FINANCIAL PLAN 2018/19 - 2022/23 INCREASE COUNCIL TAX BY 1.94% EACH YEAR

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	36,615	37,183	37,554	38,546	39,309
Less					
Specific grants	(260)	(257)	(255)	(252)	(250)
Other income	(1,471)	(1,508)	(1,545)	(1,584)	(1,623)
Total income	(1,731)	(1,765)	(1,800)	(1,836)	(1,873)
Net Service Budget	34,884	35,418	35,754	36,710	37,436
Capital financing costs less interest receivable	852	852	852	828	818
Capital expenditure from the Revenue Account	1,200	607	452	452	452
Transferred to Balances	948	983	1,049	1,065	1,092
Total Net Expenditure	37,884	37,860	38,107	39,055	39,798

Net Budget brought forward	37,403	37,884	37,860	38,107	39,055
Unavoidable cost pressures					
Pay inflation	526	528	542	549	561
Price inflation	221	203	199	198	208
Total inflation	747	731	741	747	769
Changes in Capital Financing	(16)	0	0	(24)	(10)
Budget commitments	436	(725)	(489)	225	(16)
Savings approved	(686)	(30)	(5)	0	0
Total Net Expenditure	37,884	37,860	38,107	39,055	39,798

Appendix A 1.94% council tax option continued

Sources of Funding	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,617	2,517	2,567	2,618	2,671
Business Rate Top Up	4,977	5,082	5,183	5,287	5,393
Business Rates Baseline	7,594	7,599	7,750	7,905	8,064
Revenue Support Grant	3,660	3,157	2,722	2,348	2,025
Settlement Funding assessment	11,254	10,756	10,472	10,253	10,089
Section 31 Grant Business Rates adjustment	412	420	0	0	0
Council Tax Collection Fund (Deficit) / Surplus	374	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(73)	0	0	0	0
Transition Grant					
Council Tax Requirement	25,917	26,684	27,365	28,064	28,779
Total Resources Available	37,884	37,860	37,837	38,317	38,868
Additional Savings Required / (surplus)	0	0	270	738	930

Appendix A (ii)

MEDIUM TERM FINANCIAL PLAN 2018/19 - 2022/23 INCREASE COUNCIL TAX BY 2.94% IN 2018/19 AND 2019/20 AND 1.94% EACH YEAR THEREAFTER

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	36,671	37,412	37,827	38,595	39,358
Less					
Specific grants	(260)	(257)	(255)	(252)	(250)
Other income	(1,471)	(1,508)	(1,545)	(1,584)	(1,623)
Total income	(1,731)	(1,765)	(1,800)	(1,836)	(1,873)
Net Service Budget	34,940	35,647	36,027	36,759	37,485
Capital financing costs less interest receivable	852	852	852	828	818
Capital expenditure from the Revenue Account	1,200	607	452	452	452
Transferred to Balances	1,148	1,283	1,049	1,065	1,092
Total Net Expenditure	38,140	38,389	38,380	39,104	39,847

Net Budget brought forward	37,403	38,140	38,389	38,380	39,104
Unavoidable cost pressures					
Pay inflation	526	529	541	549	561
Price inflation	221	204	205	204	209
Total inflation	747	733	746	753	770
Changes in Capital Financing	(16)	0	0	(24)	(10)
Budget commitments	692	(454)	(750)	(5)	(17)
Savings approved	(686)	(30)	(5)	0	0
Total Net Expenditure	38,140	38,389	38,380	39,104	39,847

Appendix A 2.94% council tax option continued

Sources of Funding	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,617	2,517	2,567	2,618	2,671
Business Rate Top Up	4,977	5,082	5,183	5,287	5,393
Business Rates Baseline	7,594	7,599	7,750	7,905	8,064
Revenue Support Grant	3,660	3,157	2,722	2,348	2,025
Settlement Funding assessment	11,254	10,756	10,472	10,253	10,089
Section 31 Grant Business Rates adjustment	412	420	0	0	0
Council Tax Collection Fund (Deficit) / Surplus	374	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(73)	0	0	0	0
Transition Grant					
Council Tax Requirement	26,173	27,213	27,908	28,619	29,350
Total Resources Available	38,140	38,389	38,380	38,872	39,439
Additional Savings Required / (surplus)	0	0	0	232	408

Appendix B (i)

Revenue Budget Subjective Summary option of 1.94% council tax increases

	2017/18 Original Estimate £'000	2018/19 Original Estimate £'000
Salaries, Allowances and On-costs	26,322	26,382
Training Expenses	582	597
Other Employees Costs	410	307
Employee Costs	27,314	27,286
Repair, Maintenance and Other Costs	1,096	1,089
Utility Costs	1,127	1,264
Premises Costs	2,223	2,353
Vehicle Repairs and Running costs	960	984
Travel Allowances and Expenses	123	145
Transport Costs	1,083	1,129
Equipment and Supplies	1,609	1,309
Fees and Services	1,486	2,468
Communications and Computing	2,239	931
Other Supplies and Services	1,007	1,139
Supplies and Services	6,341	5,847
Sums set aside from revenue	976	1,631
Interest Payments	504	496
Capital Financing	1,480	2,127
Grants and Contributions	(416)	(543)
Interest Received	(75)	(75)
Other Income	(1,169)	(1,188)
Income	(1,660)	(1,806)
Transfers From reserves		
Transfers To reserves	622	948
Total Net Expenditure	37,403	37,884
Financed By:		
Council Tax	(25,036)	(25,917)
Business Rates	(7,213)	(7,594)
Revenue Support Grant	(4,524)	(3,660)
Transition Grant	(122)	0
S31 Grants	(258)	(412)
Collection Fund Surplus/Deficit Council Tax	(250)	(301)
Total Funding	(37,403)	(37,884)

Appendix B continued

Revenue Budget Objective Summary option of 1.94% council tax increases

	2017/18 Original Estimate	2018/19 Original Estimate
	£'000	£'000
Training and Assurance	2,193	2,318
Resources/Treasurer	7,530	6,951
Planning and Improvement	1,049	1,139
Total Deputy Chief Fire Officer	10,772	10,408
HR and OD	922	911
Safer Communities	18,290	18,271
Operational Support	3,850	3,581
Total Assistant Chief Fire Officer	23,062	22,763
CFO Staff	675	655
Treasury Management	1,408	2,056
Non delegated costs	474	541
Corporate Contingency	390	513
Transfers to Reserves	622	948
Transfers from Reserves	0	0
Total Corporate	3,569	4,713
Total Net Expenditure	37,403	37,884

Appendix B (ii)

Revenue Budget Subjective Summary option of 2.94% council tax increases in 2018/19 and 2019/20 and 1.94% increase thereafter

	2017/18 Original Estimate £'000	2018/19 Original Estimate £'000
Salaries, Allowances and On-costs	26,322	26,382
Training Expenses	582	597
Other Employees Costs	410	307
Employee Costs	27,314	27,286
Repair, Maintenance and Other Costs	1,096	1,089
Utility Costs	1,127	1,264
Premises Costs	2,223	2,353
Vehicle Repairs and Running costs	960	984
Travel Allowances and Expenses	123	145
Transport Costs	1,083	1,129
Equipment and Supplies	1,609	1,309
Fees and Services	1,486	2,468
Communications and Computing	2,239	931
Other Supplies and Services	1,007	1,195
Supplies and Services	6,341	5,903
Sums set aside from revenue	976	1,631
Interest Payments	504	496
Capital Financing	1,480	2,127
Grants and Contributions	(416)	(543)
Interest Received	(75)	(75)
Other Income	(1,169)	(1,188)
Income	(1,660)	(1,806)
Transfers From reserves		
Transfers To reserves	622	1,148
Total Net Expenditure	37,403	38,140
Financed By:		
Council Tax	(25,036)	(26,173)
Business Rates	(7,213)	(7,594)
Revenue Support Grant	(4,524)	(3,660)
Transition Grant	(122)	0
S31 Grants	(258)	(412)
Collection Fund Surplus/Deficit Council Tax	(250)	(301)
Total Funding	(37,403)	(38,140)

Appendix B(ii) continued

Revenue Budget Objective Summary option of 2.94% council tax increases in 2018/19 and 2019/20 and 1.94% increase thereafter

	2017/18 Original Estimate	2018/19 Original Estimate
	£'000	£'000
Training and Assurance	2,193	2,318
Resources/Treasurer	7,530	6,951
Planning and Improvement	1,049	1,139
Total Deputy Chief Fire Officer	10,772	10,408
HR and OD	922	911
Safer Communities	18,290	18,271
Operational Support	3,850	3,581
Total Assistant Chief Fire Officer	23,062	22,763
CFO Staff	675	655
Treasury Management	1,408	2,056
Non delegated costs	474	541
Corporate Contingency	390	569
Transfers to Reserves	622	1,148
Transfers from Reserves	0	0
Total Corporate	3,569	4,969
Total Net Expenditure	37,403	38,140

Appendix C

Fees and Charges

with effect from 1 April 2018

Fee	Existing Fees	New Fees
	2017/18 £	2018/19 £
The hiring of a major pumping appliance with crew per hour	287	292
The hiring of other pumping vehicles with crew per hour	231	235
The hire of hydraulic platforms or turntable ladders with crew per hour	310	315
Large animal rescue per hour	287	292
Dry Riser (subsequent test at the owner's request):		
First Dry Riser	214	218
Additional Dry Risers	140	143
Interviews: *		
- Insurance Co Etc	140	143
- After two hours	91	93
Copy of Petroleum Licences *	34	35
Copy plans *	39	40
Standby at Venue	287	292
Fire Investigation Report	308	313
Chemical Protection Suit	160	163
Commercial Training One day course (per person)	179	179
Commercial Training Customers Site (per Session)	599	599
Commercial Training Fire Talk (per session)	369	375
Inspection of Plans for Marriage Act 1994 *	118	120
Environmental search fees *	110	112

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

MEDIUM TERM CAPITAL STRATEGY 2018/19 to 2022/23

Overview

The Medium Term 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. It is likely that further changes to this strategy will be needed as further Service reviews are carried out, particularly as a result of the development of new IT, Estates and Fleet Strategies and our IRMP priorities.

The strategy reflects re-profiling of projects planned for delivery in 2017/18 which have been delayed across property and fleet.

The main areas covered within the strategy are summarised below.

Property – Major Schemes

The Authority has had a programme of major property schemes identified through its Property Asset Management Plan which involve either major refurbishment of existing sites or schemes for new build. In the current Strategy these include:

- **Preston Circus** – 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. An initial feasibility study has been carried out and further work will shortly commence under the aegis of the Greater Brighton One Public Estate (OPE) bid for which funding has been provided by central government. This will include further assessment of options which include redevelopment with public and commercial office accommodation or residential. Before progressing to the next stage we are needing to develop a Service wide Design Guide under the Estates Strategy which will inform the redevelopment of Preston Circus ensuring that it meets future operational requirements. We anticipate being able to take a final decision in 2018/19 with work commencing in the latter part of 2018/19. Provision is made for £2.5m based on the initial feasibility study.
- **Service HQ Relocation** – the remainder of the expected spend on the Service HQ relocation scheme has been reclassified as revenue expenditure (funded by revenue earmarked reserve) and no longer features in the CAS going forward.
- **Integrated Transport Function (ITF) – South Eastern Hub Workshop** – 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. The project is at an early stage with initial feasibility studies expected to be complete by the end of 2017/18. 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 is included in this CAS, £0.25m in 2018/19 and £0.75m in 2019/20 although this will depend on the project implementation plan.

Property – General Schemes

This Strategy seeks to achieve property maintenance and improvements as identified by the most recent property condition survey undertaken in 2013. 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 Strategy has identified that significant progress has been achieved with the previously identified investment schemes. Consequently, there have been changes to the current Capital Programme and changes to schemes starting in 2018/19 and beyond.

A fundamental review of the Estates Strategy is planned for 2018/19 and will set out a longer term view of the investment required to ensure that our built environment supports the effective delivery of our services.

The fuel tanks and fuel management scheme, which was identified as a strategic requirement within previous strategies, has been placed on hold as a consequence of ITF. This project has commenced implementation in 2017/18 and funding has been agreed from the Fire Transformation Grant. At this stage, it is not clear whether partner authorities will be expected to contribute towards the capital costs of this project so the previously agreed funding remains in this strategy.

Complementary to the wider Property Condition surveys, there are regular evaluations to assess future operational requirements within the context of the Integrated Risk Management Planning process, the Carbon Trust survey of energy usage, the Local Development Frameworks and Core Strategies for each of the planning authority areas, as well as the legal responsibilities of the Equality Act and other legislation such as the Control of Asbestos Regulations.

Information Management

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

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). The current review of the requirements of the Service continues to drive the type of equipment needed on front line appliances. The cost of appliances has made an impact on the CAS. Aerial appliance has been revised from £675,000 to £737,000, an increase of 9.2%. Pumping appliances from £245,000 to £267,450, also an increase of 9.2% although adding foam now costs £68,250 up from £65,000 a 5.0% increase. Overall the number of appliances remains constant although in later years of the CAS more foam appliances are required increasing the overall cost.

The Authority has taken on the national resilience assets and receives a New Burdens grant for their maintenance. These assets will require replacement during 2019/20 and in the absence of funding from Government the cost has been included in the CAS at £840,000. However, a review of local need for these assets will be completed prior to any final decision on replacement being made. The replacement of the Technical Rescue Unit has been brought forward one year to 2021/22 at £382,200.

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. A separate capital grant to support “Responding to New Risks” was received in 2016/17 however the Authority was granted flexibility to treat this as a revenue grant.

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 2018/19) will be used to fund the Capital Strategy. As at 31 March 2018 it is estimated that there will be unapplied capital receipts of £7.668m (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 2018 it is estimated that there will be a balance of £5.612m 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. The Authority is not currently planning any new external borrowing during the life of this Strategy.

**MEDIUM TERM CAPITAL STRATEGY 2018/19-2022/23
SCHEME SUMMARY AND FUNDING**

Capital Programme Expenditure									
	Total Budget	Total Previous Year's Spend	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property – Major Schemes									
Newhaven Fire Station	3,560	3,558	2						2
Service HQ Relocation	553	388	165						165
Preston Circus	2,550			200	2,350				2,550
ITF South East Workshop	1,000			250	750				1,000
Total Property major	7,663	3,946	167	450	3,100				3,717
Property – General Schemes									
General Schemes	2,794		254	500	422	713	577	328	2,794
BA Chambers	360	13	347						347
Replacement Fuel Tanks	220		50	140	30				220
Sustainability	441	21		55	200	165			420
Security	150			50	100				150
Total Property General	3,965	34	651	745	752	878	577	328	3,931
Information Management									
Sussex Control Centre	1,672	1,499	123	50					173
Fleet & Equipment									
Aerial Appliances	737				737				737
Fire Appliances	7,674	871	970	1,343	871	1,138	1,343	1,138	6,803
Ancillary Vehicles	2,729	2	703	330	1,161	120	382	31	2,727
Cars & Vans	1,773		539	387	81	445	97	224	1,773
BA & Ancillary Equipment	750		750						750
Sub Total	13,663	873	2,962	2,060	2,850	1,703	1,822	1,393	12,790
Total Expenditure	26,963	6,352	3,903	3,305	6,702	2,581	2,399	1,721	20,611

CAPITAL ASSET STRATEGY FUNDING

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Funding Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants							
Sussex Control Grant	123	50					173
Other grants							
Sub Total	123	50	0	0	0	0	173
Useable Reserves							
Capital Receipts Reserve	2,254	1,624	5,664	895			10,437
Capital Programme Reserve				878	1,920	1,338	4,136
Breathing Apparatus Reserve	750						750
Sub total	3,004	1,624	5,664	1,773	1,920	1,338	15,323
Revenue Contributions	537	1,200	607	452	452	452	3,700
Internal Borrowing	239	431	431	356	28	-69	1,416
Total funding	3,903	3,305	6,702	2,581	2,400	1,721	20,611

USE OF RESERVES

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Reserve						
Opening Balance	5,512	7,668	6,559	895	0	0
Transfers In	4,410	515	0	0	0	0
Transfers Out	2,254	1,624	5,664	895	0	0
Closing Balance	7,668	6,559	895	0	0	0
Capital Programme Reserve						
Opening Balance	5,381	5,812	4,235	4,735	4,357	2,937
Transfers In	500	500	500	500	500	500
Transfers Out	69	2,077	0	878	1,920	1,338
Closing Balance	5,812	4,235	4,735	4,357	2,937	2,099
Breathing Apparatus Reserve						
Opening Balance	1,014	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	1,014	0	0	0	0	0
Closing Balance	0	0	0	0	0	0

N.B.

The Breathing Apparatus Reserve is used to support both £0.75m capital spend and £0.264m revenue spending.

The Capital Programme Reserve is an earmarked revenue reserve and is used in 2017/18 and 2018/19 to contribute to increasing other revenue earmarked reserves.

Reserves and Balances Policy

Background

This policy sets out the Authority's approach to reserves and balances. The policy has regard to LAAP Bulletin 99 'Local Authority Reserves and Balances', issued in July 2014.

Section 26 of the Local Government Act 2003 gives the Secretary of State power to set a minimum level of reserves for which an Authority must provide in setting its budget. The Secretary of State indicated that "the provisions are a fall-back against circumstances in which an Authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty".

Sections 31A and 42A of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

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.

Types of reserve

The Authority will maintain the following reserves:

- general reserve: to manage the impact of uneven cash flows and unexpected events or emergencies;
- earmarked reserves: sums set aside to meet known or predicted specific requirements.

Earmarked reserves will be maintained as follows:

- Improvement and Efficiency Reserve: to enable the Authority to develop its collaborative approach to service delivery and respond to priority areas for service improvement that will deliver efficiencies;
- Insurance Reserve: to enable to effective financial management of the cost of uninsured losses;
- Service Reserves: funds set aside for specific purposes in respect of individual service business cases;
- Capital Programme Reserve: to support the provision of the capital infrastructure required to deliver the Authority's service priorities;
- Capital Receipts Reserve: capital receipts not yet applied to capital expenditure; and,

- Capital Grants and Capital Contributions Unapplied: capital grants and contributions from partners received but not yet applied to capital expenditure.

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.

Principles to assess the adequacy of reserves

The Assistant Director Resources / Treasurer will advise the Authority on the adequacy of reserves. In considering the general reserve, the Assistant Director Resources / Treasurer will have regard to:

- the strategic legislative, operational and financial risk contexts within which the Authority will be operating through the medium-term;
- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process

Having had regard to these matters, the Assistant Director Resources / Treasurer will advise the Authority on the monetary value of the required general reserve.

In considering specific reserves, the Assistant Director Resources / Treasurer will have regard to matters relevant in respect of each reserve, and will advise the Authority accordingly.

Service reserves

The process for the determination of Service reserves will be based upon the principles of effective operational and financial risk management. Service Directorates will be asked to submit business cases in respect of any planned under-utilisation of the agreed budget which they would wish to carry forward to apply in future years. Business cases will be considered by the Corporate Management Team and will be subject to the final approval of the Assistant Director Resources / Treasurer.

Use of reserves

Members, as part of agreeing the budget, will agree the policy for drawdown of reserves on the advice of the Assistant Director Resources / Treasurer.

The Assistant Director Resources / Treasurer will monitor the drawdown of specific reserves in accordance with the agreed policy, and keep Members advised through normal monitoring reports.

Risk assessment to determine the adequacy of the General Reserve

Authorities need reserves so that they can deal with unforeseen calls on resources, without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors.

Although advice can be sought from the external auditors, it is not their responsibility to prescribe the appropriate level. In setting the level, the Authority should take into consideration the advice of their Assistant Director Resources / Treasurer, taking into account all local relevant circumstances.

Members will be aware that the working reserves provide protection against unforeseen events that could impact on the Authority. Reserves have to be used carefully. They can be used only once. Decisions to use reserves to fund on-going spending or hold down council tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional council tax increases are required. There is a significant risk of future financial instability if significant levels of reserves are used to fund on-going spending or reductions in council tax. This will impact on council tax rises in future years to pay for one-off use of balances.

As a general rule, the Authority should only plan to use reserves to fund one-off spending where the reserves exceed the recommended level. Where the Authority decides to use such reserves to fund on-going spending or reductions in council tax, they should indicate how they plan to make up the budget shortfall in future years. All Members must be mindful of their stewardship responsibility to the Authority.

A full review of reserves, as in the past, has taken place as part of the budget setting process. The main risks identified and their potential financial impacts are set out below and these have been used as the basis for determining the level of general reserves required.

- **Operational incident performance failure:** Non-insured costs of HSE and other investigations following a serious incident with serious implications for ESFRS, project team, ancillary costs and putting right the organisation (£1m).
- **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. A prolonged seasonal problem could easily generate additional costs of £200,000 in 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 (£0.5m).
- **Pension costs:** – this provision relates to additional ill health pensions not predicted at budget preparation. The Authority continues to monitor the age profile of workforce and expenditure forecasting. The Authority is also subject to a sector wide Employment Tribunal challenge to the Transitional Protections within the 2015 Firefighters Pension Scheme. If the claim is successful it is not clear whether the Government will fund any additional costs resulting (£0.4m).
- **Staff severance and redundancy provisions:** In order to achieve the level of financial savings required in future years, it may be appropriate to agree additional business case savings in advance and, as a consequence, incur additional severance payments paid to staff that exceed the sums already put by in earmarked reserves (£0.3m).
- **Funding volatility:** As a result of the Local Government Resource Review, including the Localisation of Council Tax Support Grant, the Authority is

exposed to potential increased volatility in two key income streams, business rates and council tax. (£0.7m).

- **Unanticipated business or economic pressures:** The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier. Equally, the Authority has a number of key ICT systems which, were they to fail, could require urgent external support or replacement equipment at short notice which could be costly for the Authority. The Authority is also involved in a range of transformation projects for which there is a risk of cost over-runs. There is also a risk of additional costs as a result of industrial action (£1m).
- **Inflationary increases:** Provision has been made for anticipated increases in pay and prices within the budget. However, national pay restraint is based on an average of 1% and so actual increases within different Services may vary. With the Government's relaxation of the 1% cap in 2017/18, the failure to settle the Grey Book pay claim for 2017/18 and the potential for significantly higher increases in Scotland and London the risk that actual pay inflation exceeds the budget provision is increased. The Authority is also subject to global inflationary pressures, particularly in relation to oil-based and other natural resources. The fall in the value of the pound since the vote to leave the European Union also exposes us to potential price increases from overseas suppliers (£0.2m).
- **Legal and employment 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 so a provision within balances is prudent (£0.5m).
- **Savings plans:** The Authority has put in place 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 (£0.3m).
- **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 (£0.2m).
- **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 (£0.1m).

Proposal for the level of General Reserves

The assessment gives a preliminary figure of £5.2m (13.7%) on the net budget requirement of £37.9m (1.94% increase option) in 2018/19 or 13.6% on a net budget requirement of £38.1m (2.94% increase option). This is a slight reduction from previous years reflecting a reduction in the assessed risk in a number of areas. Although it would be unlikely for all areas of risk to impact at the same time, it is conceivable for a number of them to be interlinked, for example a major incident could

impact on operational performance and result in damage to assets and insurance losses.

Taking into account the current economic climate, pressure on budgets and the uncertainty around funding beyond 2019/20, it would seem appropriate to continue to maintain the minimum level of general reserves at 8% in line with the Authority's existing policy. This equates to £3.031m in the 1.94% increase option or £3.051m in the 2.94% increase option. Currently, general balances (reserves) provision is projected to be above this level at £3.142m.

Review of earmarked reserves

Since the Authority became a precepting body, Members have agreed, in principle, to the establishment of a number of earmarked reserves. Each year, the relevance of these is reconsidered as part of the service planning process and Members are informed of the latest plans for the balances held in such reserves. As the Authority has developed its response to the reduction in government funding and the need to deliver savings through different ways of working, Members have approved the establishment of a number of key reserves to support this process – the Improvement and Efficiency Reserve, IT Strategy Reserve and also the Capital Programme Reserve (which, along with the Capital Receipts Reserve, supports the funding of the Authority's capital programme). Through careful budget management, the Authority has also established a range of Service Reserves to support the delivery of specific initiatives. These reserves remain critical in supporting the delivery of change and transformation within the Service and also ensuring continued investment in our capital assets in the absence of central government grant support.

A commentary on the purpose and planned use of each of the existing earmarked reserves is detailed below:

- **Improvement & Efficiency reserve:** 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 balance of £1.026m at 1 April 2018 approximately £0.278m is allocated to specific projects for example FireWatch Implementation, Service HQ Relocation (excess travel costs) and the IECR pilot. The balance is available for future projects including the outcomes from the IRMP areas of focus.
- **Insurance Reserve:** ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. Savings made on premiums in previous years due to increases in excesses have been placed in this reserve to help offset years when higher levels of claims may occur which have to be paid for internally. The Authority will be reviewing its options in advance of the end of its current insurance arrangements in March 2019. This will include consideration of FRICs (Fire &

Rescue Insurance Consortium) and this reserve could cover any one off costs associated with membership.

- Capital Programme Reserve: To support the provision of the capital infrastructure required to deliver the Authority's service priorities. Given the reduction in availability of capital grant from Government and the potential investment implications of new IMD and Estates Strategies, it is important that this source of funding is maintained in the short to medium term. As part of the non-operational savings proposals the Authority has agreed to reduce the base budget contribution to this reserve to £500,000 per annum in 2017/18. There is an unallocated balance of £2.099m remaining at the end of the current Capital Asset Strategy. The Authority is, however, reviewing its Estates Strategy and it is anticipated that there will be a significant requirement for additional investment as a result. The remaining balance on this reserve will be available to finance this investment.
- Capital Receipts Reserve: 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 2018/19. No further disposals are currently planned and this reserve will be fully utilised over the life of the current Capital Asset Strategy.

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.

Service reserves: funds set aside for specific purposes in respect of individual service business cases:

- 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. This will be increased if the recommendation to increase council tax by 2.94% is accepted, if not then any £0.2m will be transferred from the Capital Programme Reserve as agreed by CFA in December 2017, as part of its local response to the risks highlighted by the Grenfell Tower incident.
- 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 Reserve (formerly IMD Transformation): The Authority has set aside funds to support the delivery of its IT Strategy including the contractual transformation milestones delivered by telent. A transfer of £2.077m will be made from other reserves in order to ensure that the Strategy can be fully funded. It will be fully utilised by the end of 2021/22.
- ESMCP Readiness Reserve: 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.

- ESMCP Regional Programme Reserve; the Authority acts as regional lead for ESCMP implementation and holds grant funding for regional and local resourcing on behalf partner FRAs.
- 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 planned movement on each of the earmarked reserves is shown in the following tables, depending on the option for council tax increases adopted:

Option of 1.94% council tax increase:

Description	2018/19	2018/19	2018/19	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance
	Opening Balance 01/04/18 £'000	Planned Transfers In £'000	Planned Transfers Out £'000	31/03/19 £'000	31/03/20 £'000	31/03/21 £'000	31/03/22 £'000	31/03/23 £'000
Earmarked Reserves								
Improvement & Efficiency	1,026	0	(538)	488	228	0	0	0
Sprinklers	290	0	(290)	0	0	0	0	0
Insurance	249	0	0	249	249	249	249	249
ESMCP ESFRS readiness	1,060	0	(660)	400	0	0	0	0
ESMCP Regional Programme reserve	277	639	(468)	448	0	0	0	0
Safer Business Training	165	0	(83)	82	0	0	0	0
IT Strategy	923	2,525	(1,226)	2,222	1,505	854	219	0
Wholetime Firefighter recruitment	294	0	(294)	0	0	0	0	0
Capital Programme Reserve	5,812	500	(2,077)	4,235	4,735	4,357	2,937	2,099
Total Earmarked Reserves	10,096	3,664	(5,636)	8,124	6,717	5,460	3,405	2,348
General Fund	3,142	0	0	3,142	3,142	3,142	3,142	3,142

Total Revenue Reserves	13,238	3,664	(5,636)	11,266	9,859	8,602	6,547	5,490
Capital Receipts Reserve	7,668	515	(1,624)	6,559	895	0	0	0
Total Capital Reserves	7,668	515	(1,624)	6,559	895	0	0	0
Total Usable Reserves	20,906	4,179	(7,260)	17,825	10,754	8,602	6,547	5,490

Option of 2.94% council tax increase for 2018/19 and 2019/20 and 1.94% thereafter:

Description	2018/19	2018/19	2018/19	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance
	Opening Balance 01/04/18	Planned Transfers In	Planned Transfers Out	31/03/19	31/03/20	31/03/21	31/03/22	31/03/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves								
Improvement & Efficiency	1,026	0	(538)	488	228	0	0	0
Sprinklers	290	200	(290)	200	250	0	0	0
Insurance	249	0	0	249	249	249	249	249
ESMCP ESFRS readiness	1,060	0	(660)	400	0	0	0	0
ESMCP Regional Programme reserve	277	639	(468)	448	0	0	0	0
Safer Business Training	165	0	(83)	82	0	0	0	0
IT Strategy	923	2,525	(1,226)	2,222	1,505	854	219	0

Wholetime Firefighter recruitment	294	0	(294)	0	0	0	0	0
Capital Programme Reserve	5,812	500	(2,077)	4,235	4,735	4,357	2,937	2,099
Total Earmarked Reserves	10,096	3,864	(5,636)	8,324	6,967	5,460	3,405	2,348
General Fund	3,142	0	0	3,142	3,142	3,142	3,142	3,142
Total Revenue Reserves	13,238	3,864	(5,636)	11,466	10,109	8,602	6,547	5,490
Capital Receipts Reserve	7,668	515	(1,624)	6,559	895	0	0	0
Total Capital Reserves	7,668	515	(1,624)	6,559	895	0	0	0
Total Usable Reserves	20,906	4,379	(7,260)	18,025	11,004	8,602	6,547	5,490

Appendix F (i)

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2018/19

REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

Option for 1.94% council tax increase

	£	£
NET BUDGET REQUIREMENT		37,884,000.00
Forecast Business Rates retained	2,617,000.00	
Top Up grant	4,977,000.00	
Total Base Line funding	7,594,000.00	
Add Revenue Support Grant	3,660,000.00	
Total Grant funding (excluding transitional/freeze grant)	11,254,000.00	
Transition Grant	0.00	
Section 31 Grant Business Rates adjustment	412,000.00	
Previous Year's Surpluses/(Deficits)	301,000.00	
Total Council Tax required		25,917,000.00
Tax base	287,611.38	
Basic Council Tax (Band D equivalent)		90.11
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	60.07
Band B	7/9	70.09
Band C	8/9	80.10
Band D	9/9	90.11
Band E	11/9	110.13
Band F	13/9	130.16
Band G	15/9	150.18
Band H	18/9	180.22
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	88,976.40	8,017,663
Eastbourne	34,354.40	3,095,675
Hastings	25,582.00	2,305,194
Lewes	37,034.00	3,337,134
Rother	37,726.98	3,399,578
Wealden	63,937.60	5,761,417
	287,611.38	25,916,661

Appendix F (ii)

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2018/19

REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

Option for 2.94% council tax increase

	£	£
NET BUDGET REQUIREMENT		38,140,000.00
Forecast Business Rates retained	2,617,000.00	
Top Up grant	4,977,000.00	
Total Base Line funding	7,594,000.00	
Add Revenue Support Grant	3,660,000.00	
Total Grant funding (excluding transitional/freeze grant)	11,254,000.00	
Transition Grant	0.00	
Section 31 Grant Business Rates adjustment	412,000.00	
Previous Year's Surpluses/(Deficits)	301,000.00	
Total Council Tax required		26,173,000.00
Tax base	287,611.38	
Basic Council Tax (Band D equivalent)		91.00
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	60.67
Band B	7/9	70.78
Band C	8/9	80.89
Band D	9/9	91.00
Band E	11/9	111.22
Band F	13/9	131.44
Band G	15/9	151.67
Band H	18/9	182.00
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	88,976.40	8,096,852
Eastbourne	34,354.40	3,126,250
Hastings	25,582.00	2,327,962
Lewes	37,034.00	3,370,094
Rother	37,726.98	3,433,155
Wealden	63,937.60	5,818,322
	287,611.38	26,172,635

Establishment and payroll budget

	FTE @ 1/4/18	FTE @ 1/4/19
Principal Officers	3	3
Wholetime	333	333
Firefighter		
RDS firefighter	219	219
Units		
Control Room	38	38
Staff		
Support staff	143.9	141.4

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

	Settlement Funding Assessment	Compensation for under- indexing the business rates multiplier	Estimated Council Tax excluding Parish Precepts	Rural Services Delivery Grant	2018-19 Provisional Core Spending Power	2017-18 Core Spending Power	Change
Combined Fire Authorities							
Avon Fire	£16.162	£0.219	£25.971	£0.000	£42.351	£41.694	1.6%
Bedfordshire Fire	£8.571	£0.119	£20.042	£0.000	£28.733	£28.208	1.9%
Berkshire Fire Authority	£10.335	£0.143	£22.206	£0.000	£32.684	£32.164	1.6%
Buckinghamshire Fire	£7.582	£0.103	£18.966	£0.000	£26.651	£26.267	1.5%
Cambridgeshire Fire	£9.023	£0.123	£19.274	£0.000	£28.419	£28.040	1.3%
Cheshire Fire	£13.621	£0.190	£27.659	£0.000	£41.470	£40.980	1.2%
Cleveland Fire	£14.726	£0.188	£11.455	£0.000	£26.369	£26.195	0.7%
Derbyshire Fire	£13.352	£0.180	£23.326	£0.000	£36.858	£36.451	1.1%
Devon and Somerset Fire	£22.618	£0.319	£50.477	£0.340	£73.755	£72.749	1.4%
Dorset and Wiltshire Fire	£14.549	£0.209	£39.232	£0.039	£54.030	£53.331	1.3%
Durham Fire	£10.695	£0.143	£17.112	£0.000	£27.949	£27.642	1.1%
East Sussex Fire	£11.128	£0.156	£26.240	£0.000	£37.524	£37.025	1.3%
Essex Fire Authority	£25.237	£0.331	£44.891	£0.000	£70.459	£69.551	1.3%
Hampshire Fire	£22.130	£0.292	£41.363	£0.000	£63.785	£63.022	1.2%
Hereford & Worcester Fire	£7.898	£0.114	£22.710	£0.088	£30.810	£30.359	1.5%
Humberside Fire	£20.216	£0.256	£22.089	£0.000	£42.561	£42.124	1.0%
Kent Fire	£21.598	£0.299	£46.852	£0.000	£68.749	£67.755	1.5%
Lancashire Fire	£24.346	£0.314	£29.176	£0.000	£53.836	£53.332	0.9%
Leicestershire Fire	£13.432	£0.181	£20.549	£0.000	£34.162	£33.625	1.6%
North Yorkshire Fire	£8.817	£0.123	£20.698	£0.413	£30.052	£29.652	1.3%
Nottinghamshire Fire	£16.395	£0.217	£24.314	£0.000	£40.926	£40.410	1.3%
Shropshire Fire	£5.333	£0.079	£15.434	£0.257	£21.102	£20.752	1.7%
Staffordshire Fire	£14.508	£0.193	£25.134	£0.000	£39.834	£39.395	1.1%
All CFA average (excluding mets)					£41.438	£40.901	1.3%

P&R Panel 18 January 2018

Summary of Discussion on Item 86 – Revenue Budget and Capital Programme

On balance the view of the Panel was that the Fire Authority should agree a Council Tax increase of 2.94% in 2018/19 and plan on the basis of a similar rise in 2019/20. However, the Panel was anxious that this decision did not send out the wrong signals and stressed that Officers should continue to focus on improving productivity, efficiency and effectiveness across the Service and that the savings target within the Medium Term Finance Plan (MTFP), either £0.7m or £1.2m (depending on the level of Council Tax increase agreed), should be regarded as a minimum threshold to be identified over the period. Members of the Panel saw particular opportunities arising from closer collaboration with other fire authorities and from partnership working

In coming to this view the Panel considered the content of the paper and in particular the risks that the Authority faced:

- The uncertainty in the Authority's funding position beyond 2019/20 as a result of the next Comprehensive Spending Review, the Fairer Funding Review, changes to the Business Rates Retention regime and the potential for FRA income from Business Rates to be replaced with a Home Office Grant;
- The potential for pay awards to exceed the provision in the budget for 2018/19 and over the life of the MTFP in the light of Government's relaxation of the 1% pay cap and the current ongoing negotiations within the fire sector regarding the expansion of the role map;
- The expectation that there would be an expansion of the statutory duties of Fire Authorities in relation to Business Safety as a result of the Moore-Blick and Hackitt Reviews, and that despite the New Burdens doctrine this was unlikely to be fully funded by central government.

The Panel also considered the results of the public consultation carried out as part of the Integrated Risk Management Plan process during 2016/17 which showed that 79% of respondents felt that the Authority offered value for money and 81% said they would be willing to pay more for their fire service through Council Tax. Members from Brighton and Hove City Council highlighted that the most recent residents survey had resulted in a 100% satisfaction rating for the Fire Service. The Panel felt that this demonstrated public support for increases in Council Tax to ensure that the Service was adequately funded.

The Panel recognised the impact of increases in Council Tax across all local authorities in East Sussex and the City of Brighton and Hove, including fire and police, on Council Taxpayers particularly those on fixed incomes. The Panel felt that the sustained reductions in Government funding since 2010/11 left the Authority with little option but to increase Council Tax. The Panel noted that:

- The Government's own Core Spending Power calculations communicated to the Authority assumed that the Authority would increase Council Tax by 3%

- Higher percentage increases were proposed by both the County and City Councils and the Police and Crime Commissioner.
- The difference between a 1.94% and 2.94% increase in the Authority's Band D Council Tax was 89 pence in 2018/19.

The Panel discussed the need for the Authority to achieve financial stability over the medium term and that this included continued investment in its assets, through the Capital Asset Strategy, to ensure that they were fit for purpose and met the future needs of the Service and the Community. The Panel welcomed the proposal to fully fund the IT Strategy through the re-purposing of existing reserves and the review of the Estates Strategy. They noted that the latter was likely to result in the need for further investment over the next five to fifteen years and that the Authority would need to reconsider its capital financing strategy and the impact on the Revenue Budget as part of the 2019/20 service planning process.

The Panel welcomed greater clarity on the Reserves and Balances Policy which set out clearly how the Authority planned to make use of its available one off resources over the next five years and noted that these resources were planned to reduce from £20.9m to £5.5m over the period. Necessarily this would have some effect on our ability to secure a greater return via our Treasury Management Strategy.