

EAST SUSSEX FIRE AUTHORITY

Date: 11 February 2016

Title of Report: Fire Authority Service Planning processes for 2016/17 and beyond – Revenue Budget 2016/17 and Capital Strategy 2016/17 to 2020/21

By: Chief Fire Officer and Treasurer

Lead Officer: Duncan Savage, Treasurer

Background Papers: Fire Authority 10 September 2015 – Item 868 – Strategic Service Planning and Medium Term Financial Planning 2016/17
Policy & Resources Panel 21 January 2016 – Item 005 – Fire Authority Service Planning processes for 2016/17 and beyond – Revenue Budget 2016/17 and Capital Strategy 2016/17 to 2020/21

Appendices:

- A - Medium Term Finance Plan 2016/17 – 2020/21
- B - Revenue Budget Summary 2016/17
- C - Savings
- D - Fees and Charges
- E - Medium Term Capital Strategy 2016/17 – 2020/21
- F - Reserves and Balances Policy
- G - Precept for 2016/17
- H - Establishment and Payroll Budget 2016/17

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

PURPOSE OF REPORT: To consider and approve the Fire Authority’s Revenue Budget 2016/17, Capital Strategy 2016/17–2020/21 and Medium Term Finance Plan for 2016/17–2020/21.

EXECUTIVE SUMMARY: The Authority's draft budget proposals for 2016/17 were considered by the Policy & Resources Panel on 21 January 2016. Since that meeting the report has been updated to reflect final council tax and business rates information, collection fund positions and forecast income from the business rate pool. The Local Government Finance Settlement (LGFS) will not be finalised until the Local Government Finance Report (England) 2016/17 has been approved by Parliament.

The Authority has continued to make good progress in identifying and agreeing savings proposals over the last 12 months, through its Changing the Service, Shaping our Future programme. The latest version of the MTFP shows that the Authority has already identified £6.4m of savings for delivery which would meet its funding gap up to 2019/20. However, further savings of £0.249m are still required by 2020/21.

Officers will continue to explore the potential for further savings and a range of reviews is already underway or planned for 2016/17 as part of the Changing the Service, Shaping our Future programme.

The development of the new Integrated Risk Management Plan (IRMP) in 2016/17 will be closely linked to the development of our future financial plans, ensuring that service priorities are matched to available resources and that the Authority can achieve financial sustainability over the medium term.

The report outlines proposals for setting a balanced revenue budget in 2016/17, including commitments and growth bids, subject to the Authority agreeing a 1.94% increase in its council tax in line with its existing budget strategy.

The Capital Strategy reflects the Authority's identified capital investment requirements for the next five years and can be financed from existing resources without the need to incur additional borrowing.

The Authority has acted prudently in establishing reserves and balances to meet its assessed risks and to provide one-off funding for specific priorities. This continues to provide the funding to support the Authority's transformation programme and meet its capital investment priorities over the next five years.

There is sufficient capacity within existing reserves to create an earmarked reserve of £2.0m for the expected one-off investment required as part of the IMD Transformation project.

RECOMMENDATION: The Authority is recommended to approve:

1. an increase in council tax of 1.94% and, as a result, approve:
 - (i) the budget proposals set out in this Report and the net budget requirement of £38.335m for 2016/17;
 - (ii) the council tax requirement of £24.280m; and
 - (iii) the council tax and precepts as set out in Appendix G.
 2. the capital programme for the next five years and the capital budget of £4.566m for 2016/17 and the plans to use capital grant, capital receipts and revenue contributions to finance that expenditure;
 3. the maintenance of the General Reserve at a minimum of 8% of the net revenue budget over the medium term;
 4. the establishment of an IMD Transformation Reserve using resources totalling £2.0m transferred from other reserves as set out in Appendix F;
 5. The transfer of the Transitional Grant of £0.097m to the Improvement & Efficiency Reserve to fund the outcomes of the IRMP;
 6. the transfer of the projected revenue underspend of £0.350m for 2016/17 to the Improvement & Efficiency Reserve;
 7. the fees and charges set out in Appendix D; and
 8. that the CFO, in consultation with the Chairman and Treasurer, be authorised to make adjustments to the presentation of the budget to reflect the final Local Government Finance Settlement.
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1. **INTRODUCTION**

- 1.1 The report sets out the proposed Revenue Budget for 2016/17, a revised Medium Term Finance Plan for 2016/17–2020/21 as well as the proposed Capital Strategy and Capital Programme for the Fire Authority for the period 2016/17 to 2020/21 for Members to consider. The report and budget proposals have been updated to reflect final council tax and business rates information, collection fund positions and forecast income from the business rate pool. The Local Government Finance Settlement (LGFS) will not be finalised until the Local Government Finance Report (England) 2016/17 has been approved by Parliament.
- 1.2 This report recommends that the Authority approves a 1.94% increase in council tax which reflects the assumption set out in the existing MTFP. This would involve setting a net budget requirement of £38.335m, a council tax requirement of £24.280m and increasing Band D council tax to £86.72.
- 1.3 The proposed Revenue Budget and MTFP reflect the continuing and sustained reductions in funding for public services as the Government seeks to reduce the national deficit as set out in the Provisional LGFS 2016/17 which includes indicative figures for 2017/18–2019/20.
- 1.4 The Authority has continued to make good progress in identifying and delivering savings proposals over the last 12 months, through its Changing the Service, Shaping our Future programme. The latest version of the MTFP takes into account the rolling forward of the Plan to include 2020/21, the alternative savings proposals to replace Day Crewed Plus approved in December 2015, budget pressures, growth bids, other changes to spending plans, the provisional LGFS and latest information on council tax and business rates. Taken together, these show that the Authority has already identified £6.4m of savings for delivery which would meet its funding gap up to 2019/20, however, further savings of £0.249m are still required by 2020/21. Whilst these figures are indicative at this stage, especially for the latter 4 years of the period, and will be subject to revision as better information becomes available, they provide a sound basis for our future financial and service planning.
- 1.5 There remain a number of uncertainties for funding in 2016/17, and beyond, and the Fire Authority will need to remain flexible in its approach to its financial planning. The announcement by the Government of indicative funding figures for the period 2017/18–2019/20 as part of the provisional LGFS is welcome and will support our strategic service and financial planning for the future. However, we are still awaiting further clarification on what is required of Authorities to access this four year funding offer. The Government has also committed that by the end of this Parliament, local government will retain 100% of business rates revenues to fund local services. Local government grant will be phased out and additional responsibilities will be devolved to local authorities. How this will impact on fire authorities is not yet clear and the Government proposes to consult extensively on its proposals during 2016.

- 1.6 The Authority will be reviewing its strategy and IRMP during 2016/17. The development of the new IRMP will be closely linked to the development of our future financial plans, ensuring that service priorities are matched to available resources and that the Authority can achieve financial sustainability over the medium term. The Authority will also need to consider any potential financial impacts of local devolution proposals should these receive approval together with the recent announcement that responsibility for the fire & rescue service will transfer to the Home Office from April 2016.

2. **ECONOMIC OUTLOOK**

- 2.1 The general state of the economy is an important factor in setting the Fire Authority's revenue budget and MTFP over the next 5 years. The UK economy has continued to show positive growth during 2015 with Gross Domestic Product (GDP) expected to reach the Office for Budget Responsibility's (OBR) forecast of 2.4%. In the medium term, GDP forecasts have been revised slightly upwards at between 2.3 and 2.5% through to 2020. The OBR also predicts that unemployment will continue to fall to 5.2% in 2016 and 2017 before rising slightly to 5.4% towards the end of the period. Real wages are growing at rates not seen since before the recession, reaching 2.9% in the 3 months to September 2015. The timing and strength of the return to sustained productivity growth remains uncertain, with UK productivity continuing to lag 20% below the G7 average. Commentators remain concerned over the impact of weaker growth in the EU and emerging market economies on the UK economy. More recently, the UK economy has been affected by the slowdown in world economic growth, particularly in China, reductions in oil prices and volatility in the financial markets. There is a risk that if the economy underperforms against the forecasts in the Autumn Statement this could affect the sustainability of the proposed 4 year local government funding settlement.
- 2.2 Public sector net debt as a % of GDP peaked at 83.1% in 2014/15, but in absolute terms the OBR expects it to continue to rise to in excess of £1.7tn in 2020/21.
- 2.3 The official bank interest rate remains low at 0.5% and most commentators now expect to see small but sustained increases from late-2016.
- 2.4 Consumer Price Inflation (CPI) has fallen into negative territory during the year and is forecast to be 0.1% for 2015 as a whole. The OBR expects it to remain below the 2% target through to 2018 and remain on target to 2020. The Retail Price Index (RPI) was slightly higher than expected at 1.0% in the third quarter of 2015, and is expected to rise gradually until it plateaus at just above 3% in 2018.

3. **NATIONAL FUNDING**

- 3.1 The Authority's net budget requirement, which represents gross expenditure less income from fees and charges, is funded from three main sources: council tax; Government grants (both revenue support grant and top up grant); and a share of locally retained Business Rates. As a result of the Local Government Resource Review and subsequent legislation there were significant changes to these sources of funding for 2013/14 which aimed to provide more flexibility at a local level in the way money was spent and more control over how it was collected and grown. No major changes to this system are proposed by Government for 2016/17. However, the Government has announced that it intends to fully localise business rates by 2019/20 and that this will result in the final withdrawal of revenue support grant. It is expected that this change will be revenue neutral, and that Government may devolve additional responsibilities to local authorities as part of the process. Changes to primary legislation will be required and the Government is expected to consult on its proposals in due course. It is possible that income from business rates may also be affected by the devolution proposals set out in the Three Southern Counties / Greater Brighton bids.
- 3.2 The Local Government Finance Report (England) 2016/17 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.
- 3.3 The provisional LGFS includes funding figures for 2016/17 and indicative figures up to 2019/20. DCLG has announced this as a four year settlement, but the figures for 2017/18 and beyond are part of an offer to any authority that wishes to take it up. In order to take up the offer an authority will need to publish an efficiency plan. At this point it is not clear what an efficiency plan must include and what criteria it would be judged against. It is not clear whether the announcement that responsibility for the fire & rescue service will transfer from DCLG to the Home Office will affect the funding offer made by DCLG.
- 3.4 The Government has defined Core Spending Power as Revenue Support Grant (RSG); retained business rates; income from New Homes Bonus; the local government element of the Better Care Fund and the Rural Services Delivery Grant, as well as income from council tax (assuming that the tax base grows by the national average growth in tax base between 2013/14 and 2015/16 and authorities increase council tax by CPI and, where appropriate, 2% to support social care). The Government calculates that Core Spending Power by this definition will fall by an average 0.5% over the period to 2019/20. For standalone fire & rescue authorities (FRAs) the forecast change is a net reduction in Core Spending Power of 2% over the period. For the Fire Authority the reduction is 1.3%.

- 3.5 The Government proposes to reduce revenue support for individual authorities in a way that ensures that authorities delivering the same set of services receive the same percentage change in settlement core funding (similar to Core Spending Power but without any assumed increase in council tax) for those services. This is a significant change in approach and means that those authorities that are more dependent on RSG for their funding (and logically less able to increase spending power through growth in council tax income) should receive lower reductions in Government funding.
- 3.6 The headline reduction in RSG for standalone FRAs is 48% or £166m over the four year period with actual reductions for individual FRAs ranging from 40% to 65%. For the Fire Authority the reduction is equal fifth highest at 58%.
- 3.7 The Government has confirmed that it will pay in full for the extension of small business relief announced in the Spending Review and Autumn Statement 2015 through a S31 grant. The doubling of Small Business Rate Relief will continue for a further year but the retail discount will end on 31 March 2016. We estimate that the total S31 grant receivable will be £0.217m in 2016/17.
- 3.8 There is no proposal to offer a Council Tax Freeze grant for 2016/17 and so this option is no longer modelled. The council tax referendum threshold is proposed at 2% with the exception of Police and Crime Commissioners and shire district authorities which are in the lowest quartile by council tax level for which a higher limit of up to £5 (on a Band D bill) applies. There is no additional flexibility for FRAs. Authorities with responsibility for social care are allowed to levy an additional increase of up to 2% specifically to be spent on social care. This will enable both of our constituent authorities to levy increases of up to 4% but does not impact on fire authorities.
- 3.9 As part of the 2011 Localism Act, council tax capping in England has been abolished and has been replaced by new powers for residents to approve or veto excessive council tax increases through a local referendum. If the residents vote against the increase, the local authority will have to revert to a council tax level that is compliant with the Government's threshold.
- 3.10 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.
- 3.11 Draft statutory guidance on the flexible use of capital receipts was published alongside the LGFS consultation. Under this guidance authorities would be able to use new capital receipts from April 2016 – March 2019 to pay for the revenue set-up costs of projects that will deliver revenue savings, subject to submitting an annual efficiency strategy setting out qualifying projects to DCLG. At this stage our view is that there is no benefit to the Authority in applying for this flexibility as forecast capital receipts are fully committed to funding the capital programme and the Authority has sufficient revenue reserves to fund its transformation programme.

- 3.12 There has been no announcement on specific grants for the fire & rescue service to date. We have continued to model on the basis of assurances given earlier in the year that both FireLink and New Dimensions grants would be protected for 2016/17 and 2017/18.
- 3.13 We understand that DCLG will not be providing any capital or transformation grant to fire & rescue services as part of the 2016/17 settlement.

4. **MEDIUM TERM FINANCIAL STRATEGY**

- 4.1 The Medium Term Financial Plan (Appendix A) reflects the impact of the provisional LGFS for 2016/17, including the indicative figures to 2019/20, and the latest information on business rates and council tax (this will not be finalised until later in January). For 2020/21 we have assumed that, in line with the Government's commitment to localise 100% of business rates, the total of settlement funding assessment will remain the same as in 2019/20 (albeit the component parts will obviously be different).
- 4.2 The MTFP reflects our initial modelling of these factors and includes the following key assumptions:
- Acceptance of the four year settlement as set out in the provisional LGFS and no change to settlement funding assessment in 2020/21;
 - Growth in council tax base of 2.80% in 2016/17 and 0.6% pa thereafter;
 - No assumption of growth in Business Rates base other than the impact of the annual uprating by the RPI multiplier;
 - Increases of 1.94% in council tax each year;
 - Net Provision for pay increases of 1.5% pa to 2018/19 and 2% thereafter;
 - Provision for price increases of 1% in 2016/17 and 2.5% each year thereafter; and
 - Delivery of savings in line with agreed plans (including the Riding at Minimum proposals agreed at December 2015 CFA, but at this stage not the proposed Management Restructuring or the SHQ Relocation).
- 4.3 The MTFP now forecasts a net expenditure reduction of 0.8% to 2016/17, 3.9% to 2017/18, no change to 2018/19 and subsequent increases of 1.1% to 2019/20 and 2.5% to 2020/21. This takes account of future provisions for increases in pay and prices, agreed savings, the factors described in paragraph 6.4, and it indicates the shortfall that will be required to be met from further savings to ensure that expenditure matches available grant, business rates and council tax income. On the basis of these assumptions, the MTFP shows that the Authority has identified sufficient savings to close its funding gap up to 2019/20 and allowed it to fund a number of growth bids and continue its policy to provide additional revenue contributions to fund capital expenditure (given the withdrawal of Government funded capital grant). Further savings of £0.249m are required by 2020/21.

5. **PROJECTED REVENUE POSITION 2015/16**

- 5.1 The Authority has a revenue budget of £38.627m for the financial year 2015/16. Based on figures reported to the Corporate Management Team in January 2016, the revenue budget is forecast to underspend by £71,000.
- 5.2 It is recommended that any forecast revenue underspend that is not required to be carried forward for specific purposes is transferred to the Improvement & Efficiency Reserve to support the funding of the Authority's transformation programme and any outcomes from the IRMP review. Members are reminded that the 2016/17 LGFS does not include any further transformation funding for the fire & rescue service.

6. **REVENUE BUDGET 2016/17**

6.1 **Impact of national funding changes on local position**

- 6.1.1 The Revenue Budget Summary for 2016/17 and the MTFP have been updated to reflect the provisional funding announced in the LGFS and the final information advised by the billing authorities on council tax base, business rates base and collection fund surpluses and deficits. The impact of the provisional LGFS for 2016/17 and a comparison with figures previously modelled and reported to the Fire Authority is set out in Table 1 below.
- 6.1.2 In summary, the impact of the provisional LGFS is a reduction in resources in 2016/17 of £0.062m against that previously modelled. This is primarily due to lower than expected RSG of £0.061m. A number of billing authorities have received backdated claims for business rates relief from NHS Trusts. Whilst these claims have not been reflected in the information provided for business rate income in 2016/17, if successful they will impact on business rate income and could potentially affect the East Sussex Business Rate Pool. We will continue to monitor the situation.
- 6.1.3 Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Authority has agreed to continue to participate in the East Sussex Business Rate Pool for 2016/17. We are still awaiting confirmation of the forecast income from the Pool for 2016/17 but have assumed that a figure of £0.100m with an equal level of expenditure on business safety activities. Under the terms of the Pooling agreement this funding must be used to support the economic regeneration of East Sussex. Pilots to improve support to local businesses are currently being developed using the 2015/16 funding from the Pool.

Table 1 – Summary of Impact of Local Government Finance Settlement

	2016/17 £'000
Locally Retained Business Rates	2,505
Top Up Grant	4,768
Business Rates Baseline	7,273
Revenue Support Grant	6,196
Settlement Funding Assessment	13,469
Estimated value of Business Rates Pool included above Settlement Funding Assessment Adjustment (S31 grant)	(100) 217
Total for comparative purposes	13,586
As reported to Policy & Resources September 2015	13,648
Increase/(decrease) in funding	(62)

- 6.1.4 Since the localisation of Council Tax Support Grant in 2013/14, billing authorities have been required to approve their own local Council Tax Reduction Schemes (LCTRS). Initially these schemes set out to recover the 10% reduction in national funding by reducing support for certain council taxpayers, alongside changes to existing discounts and exemptions. All local billing authorities except Hastings Borough Council have changed their LCTRS for 2016/17 to reduce the level of support available, thereby reducing the cost of the LCTRS. These changes are taken into account, along with underlying tax base growth, changes to claimant numbers and collection rates in calculating the new council tax base. There is a potential risk to the collection fund in 2016/17 as a result of these changes, but in East Sussex it has been agreed that additional support will be provided through the billing authorities to try and mitigate this. The Authority's share of this cost is estimated to be £25,000, shown as a commitment in the 2016/17 budget.
- 6.1.5 The Authority's council tax Base for 2016/17 is calculated as 279,983.54, an increase of 2.80% on 2015/16 (272,366.01). If the Authority were to increase its council tax as currently modelled by 1.94% this would provide income of £24.280m compared to £23.856m previously modelled. Each 1% increase in council tax yields additional income of £0.238m using the 2016/17 taxbase.
- 6.1.6 The billing authorities have confirmed that there will be a surplus of £0.448m on the Council Tax collection fund and a deficit on the Business Rates collection fund of £0.079m for distribution in 2016/17. Members should note that any net collection fund surplus is a one off benefit only.

6.1.7 The latest resource position is reflected in the Revenue Budget Summary and the MTFP, however, the net movement in resources since the last report to Members is summarised in Table 2 below.

Table 2 – Movement in Resources

	2016/17 Latest position	2016/17 Fire Authority September 2015	Increase / (Decrease)
	£'000	£'000	£'000
Locally Retained Business Rates	2,505	2,526	(21)
Business Rates Top up	4,768	4,762	6
Business Rates Baseline	7,273	7,288	(15)
Revenue Support Grant	6,196	6,257	(61)
Settlement funding assessment	13,469	13,545	(76)
Council Tax Collection Fund Surplus / (Deficit)	448	0	448
Business Rates Collection Fund Surplus / (Deficit)	(79)	0	(79)
Section 31 grant Business Rates adjustment	217	103	114
Council Tax Requirement	24,280	23,856	424
Total Resources	38,335	37,504	831

6.2 Overview of current budget proposals

6.2.1 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; and
- (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.

- 6.2.2 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 £3.046m with a further £3.325m identified for delivery by 2020/21.
- 6.2.3 During 2016/17 the Authority will be reviewing its Corporate Strategy and its IRMP which will form the basis for considering risk and need across the communities we serve and the level, type and disposition of resources that are required to meet that need. The IRMP process will be the main mechanism through which future savings proposals are considered, including a number of Changing the Service, Shaping our Future reviews which have been delayed until after the new mobilising system at the Sussex Control Centre goes live.
- 6.2.4 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 2016/17 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.
- 6.2.5 Taken together, the Authority's approved savings plans alongside increased income from council tax mean that, in addition to addressing identified budget commitments, the Authority can fund a small number of one off / short term growth bids approved by Corporate Management Team, totalling £0.385m in 2016/17 (see Table 4). We have utilised one-off flexibility from the net collection fund position to extend and increase, for 2016/17 only, additional funding of £0.280m within the Operational Pay budget. This will assist with managing the planned changes to the operational workforce and an increase in cover for long term sickness absence. The Authority can also continue with its approach agreed as part of the 2015/16 budget to use short term revenue flexibility to provide additional funding for the Capital Strategy (£0.495m in 2016/17) which partially mitigates the loss of capital grant from Government. However, the Authority must take decisions on the 2016/17 budget in the knowledge that this flexibility is available only in the short term and additional savings of £0.249m are still required by 2020/21. Further details of the proposed draft revenue budget and capital programme are set out from paragraph 6.4 onwards.

6.3 Consultation

6.3.1 Extensive public consultation was last carried out in 2012/13 as part of the review of the Medium Term Plan and Integrated Risk Management Plan 2013/14–2017/18 which included coverage of council tax and value for money. Summary outcomes from the independently managed 2012/13 consultation in relation to finance are set out below:

- More than four fifths (83%) of residents agreed that the current council tax charge (£81.86 per year for a Band D property) for the Fire & Rescue Service provides good value for money; 3% disagreed.
- Two fifths (40%) of residents thought that the Service should accept the Government's freeze grant offer and not increase its council tax in 2013/14, knowing that cuts would have to be made in 2015/16 and beyond to compensate for the loss of grant; 60% thought that the Service should not accept the Government's freeze grant offer.
- But, when asked to consider the longer term impacts on budgets, more than 9 in 10 (92%) residents thought that the Service should reject the Government's offer, and still increase council tax so that it helps to fund fire & services in future years when the grant ceases; 8% thought that the Service should not reject the offer.
- Just over two fifths (42%) of residents who are council tax bill payers said that they would support an increase of approximately 81p or less per year per household.
- However, when asked if they would still support a higher increase, almost three fifths (58%) of residents who are council tax bill payers said that they would support an increase of approximately £1.60 or less per year per household.

6.3.2 The Changing the Service, Shaping our Future programme developed its proposals for change in line with these consultation outcomes which expressed a preference for savings to be found through changes to crewing arrangements rather than reductions in appliances or fire stations. Full public consultation was carried out prior to the consideration and approval of Phase 2 proposals in June 2014. Further public consultation will be carried out as part of the review of the IRMP during 2016/17.

6.3.3 The representative bodies including the Fire Brigades' Union, the Fire Officers' Association, the Retained Firefighters' Union and UNISON have been briefed on the 2016/17 Revenue Budget proposals. Staff and business representative bodies and local authorities were invited to comment on the draft Revenue Budget proposals for 2016/17. As at 1 February 2016 no responses had been received. Any responses received after the papers are published will be circulated at the meeting.

6.4 Basis of Estimates

6.4.1 2016/17 estimates have been prepared on the following basis:

- Net provision for pay inflation has been set at 1.5% in 2016/17. The Government restated its aim, in the Autumn Statement and Spending Review 2015, that public sector pay rises should not exceed an average of 1% p.a. over the period to 2019/20. Fire service pay is negotiated nationally.
- To update other costs to take account of inflation to estimated 2016/17 outturn prices at 1.0%.
- To include both increases and decreases resulting from the introduction of or removal of commitments flowing from strategic decision making or changes to legislation, for example the IMD Strategy and the expected impact of the introduction of the flat rate state pension on employer's national insurance contributions.
- To include growth bids approved by Corporate Management Team to support policy decisions of the Authority and other service priorities.
- The inclusion of the latest Changing the Service, Shaping our Future savings proposals including the Riding at Minimum savings proposals which replace the Day Crewed Plus proposals.

6.4.2 The impact of these assumptions on the 2016/17 Revenue Budget is shown overleaf in Table 3. Further detail of savings is shown in Table 5 (page 22) and Appendix C.

Table 3 - Summary of Net Budget Requirement

	£'000	Change %
Net Budget Requirement 2015/16	38,627	
Pay inflation	480	1.24%
Non pay inflation	98	0.25%
Changes in capital financing	(10)	(0.03%)
Commitments: see Table 4	1,002	2.59%
Savings: see Table 5	(1,862)	(4.82%)
Net Budget Requirement 2016/17	38,335	(0.76%)

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 D gives details of increases in fees and charges for Fire & Rescue Service activities. The Revenue Budget assumes that the current policy will be followed, i.e. that income will rise to ensure that net expenditure will increase by no more than the rate of inflation. To reflect nationally agreed increases in pay and the overall level of provision for inflation generally, it is proposed to increase fees and charges by 1.0% in 2016/17.
- 6.5.3 The Localism Act introduced by the Government allows FRAs to introduce other fees and charges subject to local consultation and this includes being able to charge for false alarm calls from persistent offenders.
- 6.5.4 Officers have investigated the opportunities to make charges and have reviewed the false alarms policy and activity as well as quantifying potential income that might be derived from a change in policy for the charging for special services incidents that have hitherto not been charged. Proposals have been agreed to develop charging for large animal rescue (both in East Sussex and for work carried out on behalf of Kent & Medway FRA) and search and rescue activity carried out on behalf of Surrey and Sussex Police. As these proposals have not yet been fully developed we have not set income targets for the 2016/17 budget, but will review the situation during the year with a view to setting income targets for 2017/18. New charge rates for large animal rescue are included in Appendix D. Charging for lift release may be considered once work has been carried out with those landlords (often public sector) whose properties result in the most call outs to try and reduce the number of incidents.
- 6.5.5 In the 2016/17 budget the fees and charges listed in Appendix D amount to £132,000, the remainder of the income budget is mainly income from West Sussex County Council for the Sussex Control Centre.
- 6.6 **Main Variations**
- 6.6.1 The changes in commitments leading to increased or decreased provision are shown in Table 4 overleaf:

Table 4 – Budget Commitments

Commitments	£'000
Adjustment to Firefighter pension employer's contributions	55
Reduction ill health charges (pension) budget	(21)
Flat Rate State Pension, pressure on NI employer's contributions	528
Increase in LGPS employer's contribution to reflect triennial valuation	26
Hand held radios – one year only	150
IMD Strategy	(251)
Fleet Strategy	74
Adjustment to the level of Capital Expenditure from Revenue account	(593)
Increase in FireLink Grant in line with Government pledge for New Burdens Grant	(2)
Increase in New Dimensions Grant in line with Government pledge for New Burden Grant	(1)
Contribution to billing authority costs to support LCTRS	25
Address pressure on the IMD FireLink budget	14
Business Rates revaluations for Service HQ and Crowborough fire station	9
To re-align the East Sussex allowance to the day-crewed stations' establishment	108
Additional funding for services in Operations Planning and Procedures	46
Continued support for legacy mobilising system until April 2017	273
Make good shortfall in IMD mast rental income	27
Increase staffing costs in Community Safety	23
Corporate contingency changes	63
Reduction in Business Rates Pool income from 15/16 level (one year only)	(129)
Emergency Services Mobile Communications Project (ESMCP)	20
Additional wholtime resources allocation – one year only	173
Total committed	617
Growth	
Increase staffing resource for FireWatch	9
Establishment of Programme Management Office (3 years)	180
Integrated Risk Management Plan strategic review (1 year – 2016/17)	60
HR project resource for Enterprise Bill (1.75 years from 2016/17)	36
Retrofit of sprinklers in high risk and high rise residential areas (two years only)	100
Total Growth	385
Total of Commitments and Growth	1,002

6.7 Savings Plan

- 6.7.1 Given the scale of the funding gap that the Authority faced from 2014/15 it agreed to fundamentally review all of its services, including Prevention, Protection and Response. This programme, called 'Changing the Service, Shaping our Future', is set out over three phases, and the Authority has already approved a range of proposals which we anticipate will deliver savings of £3.051m by 2020/21. This now includes savings of £1.1m from the Riding at Minimum proposal which replaces the Day Crewed Plus savings of £0.391m. This change has also resulted in the reduction in the savings expected from the implementation of Locality Managers by £0.121m. When taken together with savings identified from non-operational services of £1.392m, the existing Facing the Challenge process, and Sussex Control Centre, these initiatives are expected to deliver £4.909m in 2016/17 and £6.371m by 2020/21.
- 6.7.2 The Authority has previously agreed to the savings from the establishment of the Sussex Control Centre, a single mobilising and control centre for fire & rescue in Sussex in collaboration with West Sussex Fire & Rescue Service. The annual savings from the Project remain at £0.475m and these are included in the budget. However, as a result of the delay in implementation of the new mobilising system, the 2016/17 budget recognises a pressure in the IMD budget totalling £0.273m (see Table 4).
- 6.7.3 A number of reviews / projects are underway as part of the Changing the Service, Shaping our Future programme which have the potential to deliver further savings:
- IMD Transformation (contract due to be let in 2016/17)
 - Service HQ relocation (awaiting finalisation of Heads of Terms)
 - Management Restructure (final proposal due to be considered reported February 2016)
 - Emergency Services Collaboration Programme – Integrated Transport Function
 - Phase 3 reviews:
 - Retained Duty System (Review 1) – due to report March by 2016
 - Technical rescue Unit (Review 5) – due to report March by 2016
 - Flexi Duty System (Review 6) – due to report March by 2016
 - Demand Led Rostering (Review 7) -- due to report March by 2016
 - Schools Education Programme (Review 8) – due to be carried out during 2016/17 by the Head of Community Safety
 - Support Services Review (Review 14) – due to commence February / March 2016
- 6.7.4 The following Phase 3 reviews are dependent on the Service implementing dynamic mobilising as part of the new mobilising system at Sussex Control Centre. They have been delayed and will now form part of the IRMP process in 2016/17:
- Rural Review (Review 3)
 - Day Crewed Plus at Uckfield (Review 10)
 - Day Crewed Plus at Lewes (Review 11)

6.7.5 All these savings are summarised in Table 5 and have now been included in the Revenue Budget. A full listing is included in Appendix C.

Table 5 – Savings

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Total Facing the Challenge Savings	(494)	(567)	(567)	(567)	(567)
Sussex Control Centre Savings	(474)	(474)	(474)	(474)	(474)
Total Deferred Savings	(339)	(339)	(339)	(339)	(339)
Total Phase 1 Savings	(892)	(892)	(892)	(892)	(892)
Total Phase 2 Savings	(1,319)	(1,879)	(2,159)	(2,159)	(2,159)
Total Additional non-Operational Savings	(213)	(213)	(213)	(213)	(213)
Total non-Operational Savings	(1,179)	(1,555)	(1,728)	(1,728)	(1,728)
Total savings	(4,909)	(5,918)	(6,371)	(6,371)	(6,371)

7. CAPITAL PROGRAMME

7.1 Capital Programme 2016/17-2020/21 (base year 2015/16)

7.1.1 The Medium Term Capital Strategy has been developed in line with the Authority's vision and aims 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. In the light of the need to deliver substantial revenue savings over the next five years, the Authority is reviewing all of its operational and support services through the Changing the Service, Shaping our Future programme. Decisions that have already been taken to change the service, which have capital investment implications, have been reflected in this strategy. It is likely that further changes to this strategy will be needed as further service reviews are carried out.

It is likely that the Strategy will be subject to further review in 2016/17 to ensure it reflects any capital investment decisions resulting from the IRMP review, the IMD Transformation Programme and the ESCP Integrated Transport Function work stream.

7.1.2 Details of the Medium Term Capital Strategy and its funding over the 5 year period are shown in Appendix E and summarised in the following table:

Table 6
Revenue Impact of Capital Programme 2016/17 to 2020/21

Revenue Impact of Capital Programme 2015/16 to 2019/20						
	Total resource	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Fleet	8,874	2,426	1,295	1,816	1,990	1,347
Property	4,001	1,533	890	729	569	280
IMD	607	607	0	0	0	0
Total Gross Cost	13,482	4,566	2,185	2,545	2,559	1,627
Cost of 2014/15 Strategy	8,889	2,784	1,645	2,070	2,390	n/a
Increase (decrease)	2,966	1,782	540	475	169	n/a
Revenue implication	4,669	945	943	927	927	927
Previously forecast revenue implication	3,742	945	943	927	927	n/a
Total Revenue Cost (Saving)	0	0	0	0	0	n/a

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 F 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; and
- 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 annual review of the robustness of reserves and balances is set out in Appendix F. A summary of the forecast year end reserves and balances position is set out in Table 7 overleaf. The main proposed change is the recommendation to establish an IMD Transformation reserve of £2.0m that will be used to fund the one-off costs of implementation of the Authority's new IMD Strategy and outsourced service arrangements, including any required capital investment in our infrastructure, applications and devices. Whilst the costs will not become clear until the new outsourced contract is let during 2016/17, it is prudent to establish a reserve given the scale of investment likely to be required which could not be funded from the revenue budget. It is proposed that the reserve is funded by transferring the balance of the general reserve above its 8% policy minimum (£0.700m) along with the unused balance of the Budget Carry Forward and Relocation reserves (£0.302m), and £0.998m from the Capital Programme reserve.

Table 7 – Summary of Forecast Reserves and Balances						
	31/03/2016	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme Reserve	4,631	5,381	5,881	6,381	6,881	7,381
Other Earmarked Reserves	4,989	2,639	1,039	249	249	249
Total Earmarked Reserves	9,620	8,020	6,920	6,630	7,130	7,630
General Fund	3,053	3,053	3,053	3,053	3,053	3,053
Capital Reserves	6,484	4,735	5,510	3,628	1,500	229
Total Useable Reserves	19,157	15,808	15,483	13,311	11,683	10,912

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, which are likely to continue until 2020, and the scale of savings required as a result 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 2016/17 Revenue Budget were approved by the Fire Authority in December 2013, February and June 2014, and December 2015 and Equality Impact Assessments were prepared at the time. These have been updated since, as the operational savings proposals have been developed for implementation, and to reflect the additional non-operational savings proposals. Copies are available from the Clerks should Members wish to review them 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

MEDIUM TERM FINANCIAL PLAN 2016/17 - 2020/21
INCREASE COUNCIL TAX BY 1.94% EACH YEAR

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Gross Revenue Service Budget	37,807	36,774	36,904	37,542	38,479
Less					
Specific grants	(213)	(215)	(193)	(174)	(157)
Other income	(1,374)	(1,409)	(1,446)	(1,482)	(1,519)
Total income	(1,587)	(1,624)	(1,639)	(1,656)	(1,676)
Net Service Budget	36,220	35,150	35,265	35,886	36,803
Capital financing costs less interest receivable	870	868	852	852	852
Capital expenditure from the Revenue Account	495	341	232	0	0
Transferred to Balances	847	622	500	500	500
Total Net Expenditure	38,432	36,981	36,849	37,238	38,155
Net Budget brought forward	38,627	38,432	36,981	36,849	37,238
Unavoidable cost pressures					
Pay inflation	480	485	475	476	483
Price inflation	98	224	213	215	222
Total inflation	578	709	688	691	705
Changes in Capital Financing	(10)	(2)	(16)	0	0
Budget commitments	1,099	(1,149)	(351)	(302)	212
Savings approved	(1,862)	(1,009)	(453)	0	0
Total Net Expenditure	38,432	36,981	36,849	37,238	38,155
Sources of Funding	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Locally Retained Business Rates	2,505	2,574	2,651	2,731	
Business Rate Top Up	4,768	4,862	5,005	5,165	
Business Rates Baseline	7,273	7,436	7,656	7,896	
Revenue Support Grant	6,196	4,524	3,660	3,157	
Start Up Funding Assessment	13,469	11,960	11,316	11,053	11,053
Section 31 Grant Business Rates adjustment	217	0	0	0	0
Transition Grant	97	122			
Council Tax Collection Fund (Deficit) / Surplus	448	0	0	0	0
Business Rates Collection Fund (Deficit) / Surplus	(79)				
Council Tax Requirement	24,280	24,899	25,533	26,185	26,853
Total Resources Available	38,432	36,981	36,849	37,238	37,906
Additional Savings Required / (surplus)	0	0	0	0	249

Revenue Budget Subjective Summary

	2015/16 Original Estimate	2016/17 Original Estimate
	£'000	£'000
Salaries, Allowances and On-costs	27,624	27,560
Training Expenses	560	534
Other Employees Costs	84	228
Employee Costs	28,268	28,322
Repair, Maintenance and Other Costs	1,047	1,057
Utility Costs	1,161	1,177
Premises Costs	2,208	2,234
Vehicle Repairs and Running costs	956	936
Travel Allowances and Expenses	138	141
Transport Costs	1,094	1,077
Equipment and Supplies	1,293	2,165
Fees and Services	1,600	1,708
Communications and Computing	2,613	1,641
Other Supplies and Services	581	660
Supplies and Services	6,087	6,174
Sums set aside from revenue	1,532	934
Interest Payments	510	506
Capital Financing	2,042	1,440
Grants and Contributions	(440)	(487)
Interest Received	(75)	(75)
Other Income	(1,157)	(1,100)
Income	(2,072)	(1,662)
Transfers From reserves		
Transfers To reserves	1,000	847
Total Net Expenditure	38,627	38,432
Financed By:		
Council Tax	(23,170)	(24,280)
Business Rates	(7,290)	(7,273)
Revenue Support Grant	(7,514)	(6,196)
Transition Grant	0	(97)
S31 Grants	(276)	(217)
Council Tax Freeze Grant	0	0
Collection Fund Surplus/Deficit	(377)	(369)
Total Funding	(38,627)	(38,432)

Savings (cumulative from 2014/15)

APPENDIX C

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Facing the Challenge Savings					
GIS Data Controller post	(36)	(36)	(36)	(36)	(36)
Reduction L & D external training budget	(40)	(40)	(40)	(40)	(40)
DFS post (net)	(50)	(50)	(50)	(50)	(50)
Project Officer post following RCC cutover (Grade 7)	(35)	(35)	(35)	(35)	(35)
Visual Imaging Technician	(34)	(34)	(34)	(34)	(34)
Graphics Designer	(36)	(36)	(36)	(36)	(36)
Fifth floor admin support	(16)	(16)	(16)	(16)	(16)
Insurance Portfolio	(30)	(30)	(30)	(30)	(30)
ICS Review - take post 37 quality assurance manager - Updated 20 June 2013 ICS Review Costings V6a	(143)	(216)	(216)	(216)	(216)
Removal of Aerial Ladder Platform and pumping appliances from Eastbourne Fire Station and replace with a Combined Aerial Rescue Platform	(74)	(74)	(74)	(74)	(74)
Total Facing the Challenge Savings	(494)	(567)	(567)	(567)	(567)

Sussex Control Centre Savings	(474)	(474)	(474)	(474)	(474)
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Deferred Savings					
Reduction in Transitional Costs provision not taken in 2013/14	(174)	(174)	(174)	(174)	(174)
Relocation Expenses additional savings not taken in 2013/14	(20)	(20)	(20)	(20)	(20)
Hydrants additional savings not taken in 2013/14	(15)	(15)	(15)	(15)	(15)
Uniform additional savings not taken in 2013/14	(30)	(30)	(30)	(30)	(30)
Insurance Additional savings not taken 2013/14	(50)	(50)	(50)	(50)	(50)
Fuel additional savings not taken in 2013/14	(50)	(50)	(50)	(50)	(50)

Savings (cumulative from 2014/15)

APPENDIX C

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Total Deferred Savings	(339)	(339)	(339)	(339)	(339)

Non Operational Savings					
Cleaning – review of current specification	(53)	(53)	(53)	(53)	(53)
Security – anticipated saving through contract re-procurement	(8)	(8)	(8)	(8)	(8)
Electricity Consumption Savings (premises wide) – as a result of Solar PV installation	(10)	(10)	(10)	(10)	(10)
Firelink Contract – review of budget against actual costs	(86)	(86)	(86)	(86)	(86)
Increase in income from mast rentals	(10)	(10)	(10)	(10)	(10)
Fuel – based on reducing trends in fleet mileage	(20)	(20)	(20)	(20)	(20)
Operational Equipment (Breathing Apparatus) – reduction in provision for ad hoc replacement – to be managed within equipment replacement budget	(33)	(33)	(33)	(33)	(33)
Various reductions in Health and Safety budget to reflect changes in working practices	(10)	(14)	(18)	(18)	(18)
Advertising budget – reflects lower level of recruitment advertising	(32)	(32)	(32)	(32)	(32)
Interview Expenses – reflects lower level of actual spend	(5)	(5)	(5)	(5)	(5)
HR Restructuring completed 2013/14	(8)	(8)	(8)	(8)	(8)
Reduction in Skills Refresher courses as a result of overall reduction in operational posts	(7)	(7)	(7)	(7)	(7)
Reduce L&OD course administration team by 1 fte as part of team relocation to STC	(24)	(24)	(24)	(24)	(24)
Establish a visiting instructor rate of pay to replace over-time payments	(30)	(30)	(30)	(30)	(30)
Incorporate ASK refresher training into 4 day operational skills refresher course	(50)	(50)	(50)	(50)	(50)

Savings (cumulative from 2014/15)
APPENDIX C

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Closer collaboration through to joint training function with WSFRS being accepted and implemented by both FRS	0	0	0	0	0
Reduce budget allocation for Information Management, Health & Safety, Technical Fire Safety and Human Resources training – reflects patterns of actual spend and better prioritisation of training bids	(78)	(78)	(78)	(78)	(78)
Development budget - Reflects reduction in operational posts and Incident Command review. Budget currently due to spend 60% of allocation in current year. Proposal to make a significant cut for two years whilst downsizing in place then increase slightly to reflect the need to develop staff who achieve promotion in years three, four and five of plan	(45)	(30)	(30)	(30)	(30)
External audit – reduction in fees following the winding up of the Audit Commission	(15)	(15)	(15)	(15)	(15)
Car allowances/Travel – reflects reduction in spend	(2)	(2)	(2)	(2)	(2)
Uniform – based on proposals to reduce operational posts	0	0	(44)	(44)	(44)
Car Allowances	(4)	(4)	(4)	(4)	(4)
External Printing and Copying – reflects impact of on line Council Tax leaflets	(21)	(21)	(21)	(21)	(21)
Advert & Publicity (Cost of Democracy) – reflects reductions in spend	(21)	(21)	(21)	(21)	(21)
Members Allowances – reflects cessation of Standards Panel / Independent Members	(15)	(15)	(15)	(15)	(15)
Contribution to Reserves – General balances are currently above the minimum level set out in Reserves and Balances Policy. This saving will reduce the Authority's ability to respond to additional risks / calls on balances in future years	(200)	(200)	(200)	(200)	(200)

Savings (cumulative from 2014/15)
APPENDIX C

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Contribution to Capital Programme Reserves – This will reduce the revenue funding available to support the capital programme over the medium term which will mean the programme will need to be reduced in scale and any major new schemes will either need to be self-financing or funded by grant	(250)	(500)	(500)	(500)	(500)
Reduce provision for pay increases from 2% to 1.5% from 2016/17 – Risk that actual pay increases exceed provision necessitating further savings across the service. However, given medium term outlook on public finances it is likely that public sector pay restraint will need to continue beyond 2015/16 on affordability grounds	(118)	(241)	(366)	(366)	(366)
Various reductions in corporate budgets to reflect reduced actual spend	(24)	(38)	(38)	(38)	(38)
Total non-Operational Savings	(1,179)	(1,555)	(1,728)	(1,728)	(1,728)

Phase 1 Savings					
To review the number of Home Safety visits carried out annually, targeting the most vulnerable in our community and, as a result of the reduction in incidents, a greater proportion to be undertaken by crews. This will enable a reduction in the number of CSAs by four (Savings £111,544) through redeployment and/or natural wastage, starting in 2014/15, and the enhancement of their role for specific and discrete community safety work through central management.	(114)	(114)	(114)	(114)	(114)
Introduction of Locality Managers in Hastings and Brighton. This will reduce the number of Watch Managers by 8 with the remaining Locality Managers increasing their salary as a result by becoming Watch Manager B	(203)	(203)	(203)	(203)	(203)

Savings (cumulative from 2014/15)

APPENDIX C

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Removal of the Arson and Incident Reduction Manager. This will reduce the establishment by one Station Manager A (42)	(50)	(50)	(50)	(50)	(50)
It is proposed that the existing 6 borough fire safety offices are combined to form 2 larger Business Safety offices. These will be the City and Lewes (based at Hove) and Rother, Hastings, Wealden and Eastbourne (based at Eastbourne) and will be centrally co-ordinated and managed through a service level agreement with Borough Commanders. This will reduce the establishment by 4 flexible duty officers at Station Manager A (FDS)	(153)	(153)	(153)	(153)	(153)
It is proposed to amend the current two watch system on day crewed duty system fire stations to a one watch system across a seven day week. This will reduce the operational establishment by either 15 or by 13 dependent upon decisions relating to Battle Fire Station, Hastings (Option 1), and the introduction of two day crewed plus stations at Uckfield and Lewes	(372)	(372)	(372)	(372)	(372)
Total Phase 1 Savings	(892)	(892)	(892)	(892)	(892)

Phase 2 Savings					
Remove 1 firefighting appliance from The City, leaving 4 wholetime pumps crewed 24 hours a day. FA 05.06.14	(932)	(932)	(932)	(932)	(932)
Convert Battle Fire Station from day crewed to new one watch system, providing additional response to Hastings, remove RDS. FA 05.06.14. Revised to use retained cover from Battle to maintain crewing at weekends	(107)	(107)	(107)	(107)	(107)
Introduce day crewed plus at Roedean and The Ridge fire stations. FA 05.06.14	0	0	0	0	0

Savings (cumulative from 2014/15)

APPENDIX C

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Riding at Minimum	(280)	(840)	(1,120)	(1,120)	(1,120)
Total Phase 2 Savings	(1,319)	(1,879)	(2,159)	(2,159)	(2,159)

Additional Savings					
Performance Management net staffing savings	(10)	(10)	(10)	(10)	(10)
Fuel	(85)	(85)	(85)	(85)	(85)
Special Projects Additional Redundancy	(14)	(14)	(14)	(14)	(14)
Maritime accommodation [NEW]	(3)	(3)	(3)	(3)	(3)
Reduction in SAP charges following the introduction of e-payslips [NEW]	(10)	(10)	(10)	(10)	(10)
Nationally agreed reduction in external audit fees [NEW]	(14)	(14)	(14)	(14)	(14)
Expected continuing savings from insurance premiums [NEW]	(18)	(18)	(18)	(18)	(18)
Expected continuing savings from members' allowances [NEW]	(11)	(11)	(11)	(11)	(11)
Communications: equipment & printing [NEW]	(30)	(30)	(30)	(30)	(30)
DFM contingency savings [NEW]	(18)	(18)	(18)	(18)	(18)
Total Additional Savings	(213)	(213)	(213)	(213)	(213)

Total cumulative savings	(4,909)	(5,918)	(6,371)	(6,371)	(6,371)
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Appendix D

FEES AND CHARGES

WITH EFFECT FROM 1 APRIL 2016

Fee	Existing Fees	New Fees
	2015/16 £	2016/17 £
The hiring of a major pumping appliance with crew per hour	279	282
The hiring of other pumping vehicles with crew per hour	224	227
The hire of hydraulic platforms or turntable ladders with crew per hour	301	305
Large animal rescue per hour	279	282
Dry Riser:		0
Subsequent test at the owner's request		0
First Dry Riser	207	210
Additional Dry Risers	135	137
Interviews: *		0
Insurance Co Etc	135	137
After two hours	88	89
Copy of Petroleum Licences *	32	33
Copy plans *	37	38
Standby at Venue	279	282
Fire Investigation Report	300	303
Chemical Protection Suit	155	157
Commercial Training One day course (per person) *	177	179
Commercial Training Customers Site (per Session) *	595	599
Commercial Training Fire Talk (per session) *	359	363
Inspection of Plans for Marriage Act 1994 *	114	116
Environmental search fees *	106	108

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

Overview

The Medium Term Capital Strategy has been developed in line with the Authority's vision and aims 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. In the light of the need to deliver substantial revenue savings over the next five years, the Authority is reviewing all of its operational and support services through the Changing the Service, Shaping our Future programme. 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. 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:

- **Newhaven Fire Station** – whilst this scheme completes in the current year (2015/16) it is retained within the strategy as retention values will remain post occupation and be subject to snagging or other outstanding works. The disposal of the Fort Road site is subject to discussion with public and voluntary sector partners, however, the Authority has agreed that disposal is the preferred option and has previously been advised of the approximate market value.
- **Preston Circus** – Over many years officers have been working with Brighton & Hove City Council and other partners to maximise the practical use at the current site and discussions have been on-going, with a variety of options still to be considered and appraised. Consequently, there remains the need to budget approximately £420,000 over the next five years, within the General Property Strategy, to maintain existing facilities and services. However, other options may need to be explored, for example, increasing the current provision to undertake adaptations and more substantial refurbishment to ensure it remains fit for purpose, alternatively, the Authority may wish to explore partial disposal or rental to public or third sector entities. The Strategic Property Assets Collaboration in East Sussex Programme (SPACES) have identified a central Brighton location as being key to the future provision of collaborative workspace. There are a number of partners, who as a result of their own property rationalisation programmes, may require space in this location for shared workspace. This would support the approach being taken by SPACES to make best use of existing strategically located operational sites which, as a result of their operational needs, are in fixed locations and the national remit to deliver greater efficiencies in the public estate. As part of any future options appraisal, this opportunity should also be fully considered, prior to any major investment being made to the building.

- **Service HQ Disposal** – at its AGM the Authority agreed that the current HQ site would be disposed of, subject to the detail and validation of the draft disposal strategy as presented. Since that time the Authority has considered a further report with various options in regard to disposal. These options will be likely to result in differing disposal values.
- **Service HQ Relocation** – at its AGM the Authority agreed with the recommendations set out in the Service HQ – Stage 3 Report to relocate to the Sussex Police site in Lewes. As part of this programme, there are identified capital costs of £650,000 which include: remodelling and refurbishment of two dispersal sites; Programme Management support to deliver the project; and one-off costs associated to document management solutions. These costs have been included within this report and are off-set by the anticipated capital receipt from the disposal of the existing SHQ site. The Heads of Terms are yet to be finalised and there remains an option in regard to financing the rental charge of space by way of a capital contribution, however, advice is being sought in regard to using capital in this way.

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 2015/16 and beyond. One such scheme, which is added to this Strategy, is the Fire Training Units (FTU) at Service Training Centre. This facility remains a critical part of the Service and ensures that we maintain firefighter competency within the operational environment.

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 the sub-regional Integrated Transport Function (ITF) project led by the Emergency Services Collaborative Programme (ESCP), the Authority remains committed to this project. This will consider a collaborative means of purchasing, managing and storing fuel stock for emergency vehicles across the blue light partners.

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 Information Management Strategy is currently undergoing a major review as the Authority seeks to implement a new model for its service delivery through the IMD Transformation Programme. The procurement process is underway and, although this allows suppliers to present revenue and capital options, it is too early, at this stage, to include any firm investment plans in this Strategy. The position will be reviewed once the procurement is complete.

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 3 each year), aerial appliances, ancillary vehicles and the light fleet (cars and vans). The current IRMP Review of Prevention, Protection and Response will consider the volume and type of incidents across the Service area and map the prominent life and property risks with the type of equipment needed on front line appliances. This now includes the provision of two smaller appliances following the IRMP Phase 3 project. Any further outcomes from the IRMP Review will be reflected in future versions of this Strategy or, indeed, may require agreement for variation to the Strategy.

The Technical Rescue Unit review is being undertaken by the Service Transformation Team and has yet to conclude with any clear recommendation. The timing of any outcome which impacts on capital (purchase or disposal) will clearly impact on this programme and will need to be reported as a variation should this occur after the ratification of the programme by the Authority at its budget setting meeting in February 2016.

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

Emergency Services Collaborative Partnership (ESCP)

The Authority is working with Surrey and Sussex Police, West Sussex and Surrey Fire & Rescue Services and SECAMB to develop a Strategy for an Integrated Transport Function (ITF). The Partnership has been successful in securing £6.0m in grant funding from central government but has not yet developed a final business case. At this stage no capital investment implications have been identified for inclusion in this Strategy. 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 submitted two bids for 2015/16, however these were unsuccessful. We were successful in gaining £6.0m grant as part of the ESCP. We do not expect there to be any capital or transformation grant funding from DCLG as part of the 2016/17 Settlement.

- 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. The Newhaven Fire Station Scheme (Saxon House) aims to deliver a community hub with office space with our partners, Lewes District Council and Sussex Police, contributing £0.977m to the cost of the scheme.

- Capital Receipts

Receipts from the disposal of existing capital assets may only be used to fund expenditure on new capital assets. The Government is consulting on new flexibilities for capital receipts generated between 2016/19, to be used to fund the revenue costs of transformation projects. Given the Authority's current 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, then the new arrangements are unlikely to offer any benefit to the Authority. The position will be kept under review. The disposal of a number of the Authority's assets including all remaining service housing (as a result of the Rural Review in 2010), the site of the current Newhaven Fire Station (estimated at £0.515m in 2016/17) and the existing Service Headquarters (SHQ) (estimated at £2.38m in 2017/18) will be used to fund the capital strategy. As at 31 March 2016 it is estimated that there will unapplied capital receipts of £6.484m (Capital Receipts Reserve) with the two receipts mentioned above to be added to this sum during 2016/17 and 2017/18. 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 2016 it is estimated that there will be a balance of £4.631m in the Capital Programme Reserve (CPR) and £0.75m in the BA Reserve. For a number of years there has been provision in the revenue budget to pay £1.0m each year into the CPR. As part of the savings proposals agreed in February 2014 this will reduce to £0.75m in 2016/17 and £0.5m in 2017/18. The Authority has also agreed to set aside additional funding from its revenue budget between 2016/17 and 2018/19 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 implication for our revenue budget. Broadly speaking, every £1m of additional borrowing would add £100,000 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 2016/17-2020/21
SCHEME SUMMARY AND FUNDING**

Capital Programme Expenditure									
	Total Budget	Total Previous Year's Spend	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Remaining Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property – Major Schemes									
Crowborough Fire Station	997	980	17						17
Newhaven Fire Station	3,560	1,044	2,467	49					2,516
Day Crewed Plus – Roedean & the Ridge									0
Service HQ Relocation	650		26	624					650
Sub Total	5,207	2,024	2,510	673	0	0	0	0	3,183
Property – General Schemes									
General Schemes	2,976		110	705	595	594	569	280	2,853
Replacement Fuel Tanks	220				190	30			220
Sustainability	420		55	155	105	105			420
Sub Total	3,616	0	165	860	890	729	569	280	3,493
Information Management									
Sussex Control Centre	2,027	1,421	0	607	0	0	0	0	607
Fleet & Equipment									
Aerial Appliances	680						680		680
Fire Appliances	5,165		310	935	865	1,240	800	1,045	5,195
Ancillary Vehicles	1,457		26	556	200	300	282	110	1,474
Cars & Vans	1,321		230	185	230	276	228	192	1,341
BA & Ancillary Equipment	750			750					750
Sub Total	9,373	0	566	2,426	1,295	1,816	1,990	1,347	9,440
Total Expenditure	20,223	3,445	3,241	4,566	2,185	2,545	2,559	1,627	16,723

Funding	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Funding Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants							
Sussex Control Grant		607					607
Transformation Grant							0
Sub Total	0	607	0	0	0	0	607
Partner Contributions							
Newhaven – Lewes DC	477	8					485
Newhaven – Sussex Police	195	3					198
Sussex Safer Roads Partnership	10						10
Sub Total	682	11	0	0	0	0	693
Useable Reserves							
Capital Receipts Reserve	1,044	2,264	1,605	1,882	2,128	1,271	10,194
Capital Programme Reserve							0
Other Earmarked reserves		750					750
Capital grants & capital contributions Unapplied	123						123
Sub total	1,167	3,014	1,605	1,882	2,128	1,271	11,067
Revenue Contributions	1,097	495	341	232	0	0	2,165
Internal Borrowing	295	439	239	431	431	356	2,191
Total funding	3,241	4,566	2,185	2,545	2,559	1,627	16,723

a) To part fund the IMD Transformation earmarked reserve

Funding – Use of Reserves						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Reserve						
Opening Balance	4,361	6,484	4,735	5,510	3,628	1,500
Transfers In	3,167	515	2,380			
Transfers Out	1,044	2,264	1,605	1,882	2,128	1,271
Closing Balance	6,484	4,735	5,510	3,628	1,500	229
Capital Grant and Contributions Unapplied						
Opening Balance	123	0	0	0	0	0
Transfers In						
Transfers Out	123					
Closing Balance	0	0	0	0	0	0
Capital Programme Reserve						
Opening Balance	4,629	4,631	5,381	5,881	6,381	6,881
Transfers In	1,000	750	500	500	500	500
Transfers Out	998					
Closing Balance	4,631	5,381	5,881	6,381	6,881	7,381
Breathing Apparatus Reserve						
Opening Balance	750	750	0	0	0	0
Transfers In						
Transfers Out		750				
Closing Balance	750	0	0	0	0	0

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 32 and 43 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 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;
- 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 Treasurer will advise the Authority on the adequacy of reserves. In considering the general reserve, 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

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

In considering specific reserves, the Treasurer will have regard to matter 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. Businesses cases will be considered by the Corporate Management Team and will be subject to the final approval of the Treasurer.

Use of reserves

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

The 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 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:** Review adequacy of pension provision as part of the revenue budget process – this provision relates to additional ill health pensions not predicted at budget preparation. Continue to monitor age profile of workforce and expenditure forecasting. (£0.6m).
- **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 (£0.25m).
- **Funding volatility resulting from Local Government Resources Review:** 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 (£0.75m)

- **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. 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. The Authority reduced its inflation provision for 2016/17 to 1.0% based on the latest information – it is possible that pressures may exceed this in some areas. (£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 is developing its savings plans for the next 5 years and has already agreed a range of measures for implementation. However it is possible that implementation may take longer than anticipated or savings may be less than originally estimated leading to an in year budget pressure (£0.4m)
- **Provision of services:** the Authority has taken on delegated responsibility for the delivery of mobilisation and control functions for West Sussex Fire & Rescue Service under a S16 agreement. Failure to provide the service to the agreed performance levels could result in additional costs for the Authority (£0.25m)
- **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 £5.55m (14.5%) on the net budget requirement of £38.335m in 2016/17. 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 and pressure on budgets, 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 £3.067m. Currently general balances (reserves) provision is projected to be above this level at £3.753m, so it is proposed that £0.700m is transferred into a new IMD Transformation Reserve (see further detail in later paragraphs).

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 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.

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 savings 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.
- **Insurance Reserve:** ESFRS has always sought to be risk adverse in managing its insurance risks and has approached the insurance market accordingly. However, the high cost of premiums required ESFRS to accept higher excess limits on fleet insurance and pay for the additional costs incurred up to the higher excess levels. This has actually proven to be financially beneficial and a similar review is now taking place for property excesses. The savings made are placed in this reserve to help offset years when higher claims may occur which have to be paid for internally.
- **Capital Programme Reserve:** to support the provision of the capital infrastructure required to deliver the Authority’s service priorities. Given that there could be potential additional capital implications both from the Changing the Service, Shaping our Future programme and the review of the IRMP and that Government Capital Grant funding is shifting from pro rata apportionment to “bid for” basis then 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 by 2018/19. In addition it is proposed to transfer £0.998m into the IMD Transformation Reserve; and
- **Budget Carry Forward –** this reserve is to allow the carry forward of underspends into the following financial year where projects have slipped or there are other outstanding financial commitments to be met. It is recommended that the balance of the reserve at not utilised during 2015/16 (£0.212m) which primarily relates to delayed IMD projects is transferred into the new IMD Transformation Reserve.
- **Capital Receipts Reserve:** capital receipts not yet applied to capital expenditure.

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

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

- Community Fire Safety Database: This provision is for the purchase and implementation of an extension to the Technical Fire Safety Database, currently being implemented. The scheme was expected to be completed in 2015/16 but is now delayed until 2016/17 as a result of the IMD Transformation Project.
- Breathing Apparatus: The renewal of breathing apparatus is on a life cycle basis, and significant costs are incurred at lifecycle replacement, due in 2016/17. Following a review this project has been included in the Capital Strategy and this reserve will be used to fund it.
- Mapping Solution a reserve to meet specific IT infrastructure for both ESFRS and the Sussex Control Centre which are not funded from the DCLG grant, and is expected to fully drawn down during 2016/17.
- Relocation expenses for staff vacating service housing: This reserve is no longer required as all service houses have been vacated and have been disposed of during 2015/16. It is recommended that the balance remaining (£0.090m) is transferred into the new IMD Transformation Reserve.
- Volunteers Scheme: the funding in this reserve has been fully drawn down. A further year's funding of £80,000 for 2016/17 will be provided from the Improvement & Efficiency Reserve whilst changes to the scheme to cover Sussex Police are implemented and future funding options explored.
- Sprinklers – as part of the 2014/15 budget the Authority approved £200,000 of funding to match fund the retrofitting of sprinklers in high risk / high rise residential premises. The unspent balance of this budget has been transferred into a reserve to fund projects planned for 2015/16 and 2016/17.
- 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 is expected that the balance will be drawn down in 2016/17.
- IMD Transformation Reserve: the Authority is in the process of outsourcing its IMD service delivery and it is anticipated that significant investment will be required in order to secure the necessary upgrading of its network, applications and devices. This reserve will also be used to fund any one off revenue costs of the implementation of the new IMD service. Clearer plans for the use of this reserve will be set out once the contract is let during 2016/17.

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

	31/03/2015 Balance £'000	2015/16 Projected Movements £'000	31/03/2016 Projected Balance £'000	2016/17 Projected Movements £'000	31/03/2017 Projected Balance £'000
Earmarked Reserve					
Improvement and Efficiency	2,109	(419)	1,690	(700)	990
Budget carry forward	484	(484)	0		0
Sprinklers	200	(87)	113	(113)	0
Insurance	249		249		249
Community Fire Safety Database	145	(10)	135	(135)	0
Breathing Apparatus	750		750	(750)	0
Mapping Solution	69	(69)	0	0	0
Relocation Expenses for Staff vacating service housing	90	(90)	0		0
Volunteers Scheme	84	(84)	0		0
Safer Business Training	0	52	52	(52)	0
IMD Transformation	0	2,000	2,000	(600)	1,400
Capital Programme reserve	4,629	2	4,631	750	5,381
Total Earmarked Reserves	8,809	811	9,620	(1,600)	8,020
General Fund	3,753	(700)	3,053		3,053
Total Revenue Reserves	12,562	111	12,673	(1,600)	11,073
Capital Receipts Reserve	4,361	2,111	6,484	(1,749)	4,735
Capital Grants & Contributions Unapplied	123	(123)	0		0
Total Useable Reserves	17,046	2,019	19,157	(3,349)	15,808

EAST SUSSEX FIRE AUTHORITY: PRECEPT FOR 2016/17
REF: S43 LOCAL GOVERNMENT FINANCE ACT 1992

	£	£
NET BUDGET REQUIREMENT		38,432,000.00
Forecast Business Rates retained	2,505,000.00	
Top Up grant	4,768,000.00	
Total Base Line funding	<u>7,273,000.00</u>	
Add Revenue Support Grant	6,196,000.00	
Total Grant funding (excluding transitional/freeze grant)	<u>13,469,000.00</u>	
Transition Grant	97,000.00	
Section 31 Grant Business Rates adjustment	217,000.00	
Previous Year's Surpluses/(Deficits)	369,000.00	
Total Council Tax required		24,280,000.00
Tax base	279,983.54	
Basic Council Tax (Band D equivalent)		86.72
Basic Council Tax from above calculation		<u>Council Tax</u>
Band A	6/9	57.81
Band B	7/9	67.45
Band C	8/9	77.08
Band D	9/9	86.72
Band E	11/9	105.99
Band F	13/9	125.26
Band G	15/9	144.53
Band H	18/9	173.44
	<u>Tax Base</u>	<u>Precept</u>
Brighton and Hove	86,173.00	7,472,923
Eastbourne	33,606.10	2,914,321
Hastings	24,678.00	2,140,076
Lewes	35,797.10	3,104,325
Rother	36,808.84	3,192,063
Wealden	62,920.50	5,456,466
	279,983.54	24,280,174

Establishment and payroll budget

Staffing

Staff Group	Establishment at 1 April 2016	Establishment at 31 March 2017	2016/17 Associated payroll cost budget
	Full time equivalent	Full time equivalent	£'000
Principal officers	4.0	4.0	671
Wholetime Firefighter	376.0	343.0	16,115
Retained Firefighter*	242.0	242.0	2,157
Mobilising staff	38.0	38.0	1,635
Support staff	145.1	150.3	5,787
Total	805.1	777.3	26,365

* Retained firefighters are not measured by FTEs, but by 'units' of which there are 242.0

Development budget – Reflects reduction in operational posts and Incident Command review. Budget currently due to spend 60% of allocation in current year. Proposal to make a significant cut for two years whilst downsizing in place then increase slightly to reflect the need to develop staff who achieve promotion in years three, four and five of plan.	60	60	45	30	30	30	30	0	0	0	0	0	0	0	0	0	0	0	0
External audit – reduction in fees following Audit Commission outsourcing.	15	15	15	15	15	15	15	0	0	0	0	0	0	0	0	0	0	0	0
Car allowances/Travel – reflects reduction in spend.	2	2	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0
Uniform – based on proposals to reduce operational posts.	0	0	0	0	44	44	44	0	0	0	0	0	0	0	0	0	0	0	0
Car Allowances – reflects reduction in actual spend.	4	4	4	4	4	4	4	0	0	0	0	0	0	0	0	0	0	0	0
External Printing and Copying – reflects impact of providing on-line Council Tax leaflets.	6	21	21	21	21	21	21	0	0	0	0	0	0	0	0	0	0	0	0
Advertising & Publicity (Cost of Democracy) – reflects reductions in spend.	21	21	21	21	21	21	21	0	0	0	0	0	0	0	0	0	0	0	0
Members’ Allowances – reflects cessation of Standards Panel / Independent Members.	15	15	15	15	15	15	15	0	0	0	0	0	0	0	0	0	0	0	0
Contribution to Reserves – General Balances are currently above the minimum level set out in Reserves and Balances Policy. This saving will reduce the Authority's ability to respond to additional risks / calls on balances in future years.	200	200	200	200	200	200	200	0	0	0	0	0	0	0	0	0	0	0	0
Contribution to Capital Programme Reserves – This will reduce the revenue funding available to support the capital programme over the medium term which will mean the programme will need to be reduced in scale and any major new schemes will either need to be self-financing or funded by grant. Following the recent estates condition survey capital expenditure on property assets will be reviewed to achieve a better balance of risk, affordability and need	0	0	250	500	500	500	500	0	0	0	0	0	0	0	0	0	0	0	0
Reduce provision for pay increases from 2% to 1.5% from 2016/17. Risk that actual pay increases exceed provision necessitating further savings across the Service. However, given medium term outlook on public finances it is likely that public sector pay restraint will continue beyond 2015/16 on affordability grounds.	0	0	118	241	366	366	366	0	0	0	0	0	0	0	0	0	0	0	0
Various reductions in corporate budgets to reflect reduced actual spend.	24	0	24	38	38	38	38	0	0	0	0	0	0	0	0	0	0	0	0
Total non-operational savings proposals	730	740	1,179	1,555	1,728	1,728	1,728												

CT information is now provided primarily on our website (the statutory requirement to provide leaflets to all households has been removed). Printed copies / copies in other languages are available on request (in the first instance via the billing authorities who issue the CT bills)

The schemes contained within the capital programme are agreed by the CFA as part of the annual budget report. Schemes are prioritised according to risk and service need in line with the Authority's agreed service standards and IRMP decisions. The reduction in revenue provision will not affect any specific protected characteristic. The Authority has already made significant investment to ensure that its buildings meet the access and equality needs of its staff and the community

This proposal reduces the provision for future pay increases for all staff. Actual pay increases are determined through national negotiation.

Estimated Savings £'000	Protected Characteristics	Other
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