

## **TREASURER'S STATEMENT**

Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Fire and Rescue Authority when it is making the statutory calculations required to determine its council tax and the Authority is required to take that report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

Dealing firstly with the robustness of the estimates; an improved budget scrutiny process was introduced some years ago and, as reported to Members throughout the budget process, this has been followed again this year. Members have also been briefed on and involved in debating the more important aspects of the budget at two Members' Budget Workshops. Feedback from the budget consultation has also been reported back to Members. Therefore, both Officers and Members have arrived at this budget setting meeting fully informed on all the major issues. Given this background, I can confirm my satisfaction as to the robustness of the estimates presented to you in this report.

Members will also be aware from previous years' discussions and at the two Budget Workshops of the need to make adequate provision for Reserves and Working Balances. The requirement for financial reserves is acknowledged in Statute and Sections 32 and 43 of the Local Government Finance Act 1992, requiring precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

CIPFA has published a Guidance Note on Local Authority Reserves and Balances. It details that it is the responsibility of the Treasurer to advise the Authority concerning the level of reserves and the protocols for their establishment and use.

The importance of sound working balances, reserves and provisions cannot be over emphasised. It is critical, particularly where an emergency service is involved, to have adequate working capital. A working balance is needed to even out the peaks and troughs of cash flow. It guards against the need (and cost) of regular short-term borrowing. Apart from the day to day fluctuations in cash flow, the working balance will be made up principally by the level of reserves and provisions.

There are three main purposes for the establishment and maintenance of reserves:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.

It has been recognised previously by Members that this latter purpose is crucial at the present time as Government support funding is decreasing and is expected to continue to do so over the next few years.

There is an annual review of the level of reserves. The detail on the level and strategy for both General and Earmarked Reserves is included within the Reserves Strategy. The level of the risk assessed General Reserve is £2.400m, reduced from £2.6m as part of the 2020/21 budget. The main earmarked reserves remain at £1.925m and have been added to in 2020/21 for the Pensions/Pay reserve at £1m due to significant uncertainties of financial impacts. The capital reserve, as noted below, is reducing over 2021/22. As detailed in the Strategy and MTRP, from 2022/23 onwards further reductions are proposed to the General Reserve. The level of general reserves was compared with those of other fire authorities and compared favourably with the average percentage. The Transformational earmarked reserve, used for transformation and budget setting purposes, is forecast to be £2.502m at the 2020/21 year end in line with the Authority's financial strategy. This excludes the 2020/21 year-end underspend, that has been approved by the FRA to allocate to a Collection Fund deficit reserve.

The reserves are fully detailed in the Reserves Strategy.

The Authority created a Collaboration Reserve that was predominantly funded from the 2015/16 and 2016/17 underspends and a pensions reimbursement.

For the 2021/22 year, as noted above, a new earmarked reserve has been set up to offset the unitary authorities apportionment of the council tax and business rates Collection Fund deficits. There has also been a thorough review of capital reserves, resulting in the un-earmarking £545k that will be funding the 2021/22 capital programme and relieving the revenue budget of this funding pressure in 2021/22.

**Gavin Chambers CPFA**  
**Treasurer to the Fire and Rescue Authority**