

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. The budget is also prepared between the Treasurer and the Chief Accountant, so there is a built in check/review between these officers too. 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 with only annual Government funding, funding pressures and particularly general inflationary pressures including pay awards.

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 £1.605m following the planned use of the Pensions/Pay reserves at £1m in 2023/24. The 2023/24 underspend is proposed to be allocated to refund this reserve as the pay award could still be higher than currently budgeted. This was due to significant uncertainties of financial impacts for these two areas. The non-operational pay award has been agreed for 2022 but we still await the finalisation of the operational pay award. The budget was set at 4% and currently 5% has been rejected. We await the outcome of the ballot for strikes.

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, environmental and budget setting purposes, is forecast to be £2.498m at the 2022/23 year end in line with the Authority's financial strategy. This excludes the 2022/23 year-end underspend, that has been recommended to the FRA as part of the 2023/24 budget setting report to put back into the Pay/Pensions reserve following its use as part of the 2023/24 year and in anticipation of an operational pay award for 2022 above the increased budgeted amount of 5% (increased from 4% but still yet to be agreed).

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. This has been set aside for resource costs and also mainly estates works.

For the 2021/22 year, a new earmarked reserve was been set up to offset the unitary authorities apportionment of the council tax and business rates Collection Fund deficits. For 2022/23, this position had reversed with Collection Fund surpluses forecast (for council

tax, for business rates there are deficits) and again there is a swing with an overall deficit for the 2023/24 budget. There has also been a thorough review of capital reserves, resulting in the utilisation of the £555k capital reserve that will be funding the 2023/24 capital programme and relieving the revenue budget of this funding pressure over 2023/24 and prudently 2024/25.

Gavin Chambers CPFA
Treasurer to the Fire and Rescue Authority