

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 Finance Team members, 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 uncertainty of 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 £2.4m, reduced from £2.6m as part of the 2020/21 budget. The main earmarked reserves remain at £1.605m following the planned allocation of the Pensions/Pay reserves of £1m in 2023/24. The 2023/24 underspend is proposed to be allocated to (i) 50% to the pay award reserve, as pay could be higher than budgeted and (ii) 50% to the Transformation 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, environmental and budget setting purposes, is forecast to be £1.836m at the 2023/24 year end in line with the Authority's financial strategy. This excludes the 2023/24 year-end underspend, that has been recommended to the FRA as part of the 2024/25 budget setting report as noted above.

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 but mainly significant estates works, such as the forthcoming (and not yet included in the 2024/25 budget) outputs from the Emergency Cover Review (ECR) workstreams.

There has been a thorough review of capital reserves, resulting in the utilisation of the £400k capital reserve that will be supporting the funding of the capital programme and relieving the revenue budget of this funding pressure over these years.

Gavin Chambers CPFA
Treasurer to the Fire and Rescue Authority