

## AVON FIRE AUTHORITY

<b>MEETING:</b>	<b>Avon Fire Authority</b>
<b>MEETING DATE:</b>	<b>Wednesday, 21 June 2023</b>
<b>REPORT OF:</b>	<b>Statutory Finance Officer</b>
<b>SUBJECT:</b>	<b>2023-2027 Reserves Strategy</b>

### 1. **SUMMARY**

This report provides the Fire Authority with the updated Reserves strategy for the period 2023-2027. This updated strategy is based on the previously approved 2022-2026 Reserves strategy and reflects the movements in reserves which have taken place to the end of May 2023.

### 2. **RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Approve the 2023-2027 Reserves strategy, attached within **Appendix 1**.
- b) Agree for the approved 2023-2027 Reserves strategy to be published on the website.

### 3. **BACKGROUND**

3.1 In accordance with the Fire and Rescue National Framework, the Fire Authority is asked to review an updated Reserves strategy on an annual basis and publish this strategy on their website once approved.

3.2 This Reserves strategy review allows the Fire Authority to consider the relevance and adequacy of the organisation's reserves. The organisation's reserves are an integral part of the Financial Planning and Governance processes and are reflected within the Annual Budget Setting, Medium Term Financial Plan and Final Accounts processes.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The financial impact of this Reserves strategy has been included within the approved 2023/24 Annual Budget and the 2023-2027 Medium Term Financial Plan (MTFP) and has been reviewed by the Service Leadership Board, working with the Statutory Finance Officer. The outcome of this work is included in the Reserves Summary included in **Appendix 2**.

#### **5. KEY CONSIDERATIONS**

- 5.1 In accordance with the Fire and Rescue National Framework, Fire Authorities are expected to provide for reserves to manage their financial position and risks. It is important for the Fire Authority's reserves to form an integral part of the longer-term financial planning process and to be incorporated into the MTFP. Fire Authorities should establish a policy on reserves in consultation with their Statutory Finance Officer and a copy of the proposed 2023-2027 Reserves strategy is attached in **Appendix 1** for Members' consideration and approval.
- 5.2 Reserves are required to provide sufficient resources to support approved priorities and strategies, such as the three-year Capital Strategy and the Transformation and IT Infrastructure Programmes. The Fire Authority's reserves should also provide sufficient cover to fund working balances and unexpected events and/or emergencies, to support the financial health of the organisation.
- 5.3 As approved within the 2023-2026 Capital Strategy and advised within the 2023-2026 Treasury Management Strategy, the Fire Authority needs to ensure capital expenditure and investment plans are affordable, prudent, sustainable and demonstrate value for money. As such, capital reserves have been prioritised to support the approved Capital Strategy which will reduce the costs of additional borrowing for the Fire Authority during this period.
- 5.4 Section 42A of the Local Government Finance Act 1992 requires precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the Fire Authority's budget requirements.
- 5.5 As part of the Annual Budget process and the Medium-Term Financial Planning and in accordance with section 25 of the Local Government Act 2003, the Statutory Finance Officer has a duty to report to the Fire Authority on the robustness and adequacy of the proposed financial reserves.
- 5.6 The updated Reserve Summary at **Appendix 2** shows the detail of the current and future planned reserve levels over a four-year period, to align to the approved MTFP. The Reserves strategy should include details of the current

and future planned reserve levels, setting out the total amount of reserves and the amount and purpose for each reserve. This information is provided in **Appendix 2**.

## **6. RISKS**

- 6.1 The key risk to the Fire Authority is to provide for an appropriate level of reserves to enable the Service to meet its approved strategic priorities without disrupting service delivery, whilst maintaining financial viability.
- 6.2 The effective management of the Fire Authority's reserves links to Corporate Risk 20 – Funding and Resource Pressures. To mitigate risks to the Fire Authority, the Service has integrated the review of reserves into its Financial Planning processes through the MTFP and Annual Budget Setting. As part of management actions to mitigate risk, the Statutory Finance Officer reviews the level and adequacy of reserves with the Service Leadership Board.

## **7. LEGAL/POLICY IMPLICATIONS**

- 7.1 When setting the Annual Budget for each financial year, section 43 of the Local Government Finance Act 1992 requires the Fire Authority, as a major precepting authority, to have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure.

## **8. BACKGROUND PAPERS**

- a) 2022-2026 Reserves Strategy, AFA 22.06.2022 Paper 12

## **9. APPENDICES**

- 1. 2023-2027 Reserves Strategy
- 2. 2023-2027 Reserves Summary

## **10. REPORT CONTACT**

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