

AVON FIRE AUTHORITY

MEETING:	Avon Fire Authority
MEETING DATE:	Wednesday, 22 June 2022
REPORT OF:	The Treasurer
SUBJECT:	2022-2026 Reserve Strategy

1. **SUMMARY**

This report provides the Fire Authority with an updated Reserve Strategy for the period 2022-2026. This updated strategy is based on the previously approved 2021-2025 Reserve Strategy and reflects movements in reserves and provisions which have taken place to the end of 31 May 2022.

2. **RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Approve the 2022-2026 Reserve Strategy, attached within **Appendix 1**.
- b) Agree for the approved 2022-2026 Reserve 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 Reserve Strategy on an annual basis and publish their Reserve Strategy on their website, once approved.
- 3.2 This Reserve Strategy review allows the Fire Authority to consider the relevance and adequacy of the organisation's reserves. The organisations 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 the Final Accounts process.

4. **FINANCIAL IMPLICATIONS**

- 4.1 The financial impact of this Reserve Strategy has been included within the approved 2022/2023 Annual Budget and the 2022-2026 Medium Term

Financial Plan (MTFP) and has been reviewed by the Service Leadership Board, working with the Treasurer.

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 to manage 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 Medium Term Financial Plan. Fire Authorities should establish a policy on reserves in consultation with their Treasurer/Chief Finance Officer and a copy of the proposed 2022-2026 Reserve 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 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 2022-2025 Capital Strategy and advised within the 2022-2025 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, the Treasurer has been working with the Service Leadership Board to identify and prioritise available reserves to support the approved three-year Capital Strategy. This information has been updated as part of this strategy and will be reported to the Fire Authority during 2022/2023, as part of the financial reporting arrangements. This approach will reduce the costs of additional external borrowing for the Fire Authority and thus demonstrates sound financial management and Value for Money.
- 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 Treasurer 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 (**Appendix 2**) shows the details of the current and future planned reserve levels over a four-year period, to align to the approved Medium Term Financial Plan (MTFP). The Reserve 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 shown in **Appendix 2** and includes provision for capital, revenue and general reserves.

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 As noted above, the Fire Authority's reserves provision is required to cover unexpected events and/or emergencies and working balances, in addition to supporting planned strategies. Reserves must therefore be set at an appropriate level to cover both internal and external risks and to provide sufficient resources to finance estimated future expenditure.
- 6.3 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 processes. As part of management actions to mitigate risk, the Treasurer 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) 2020-2025 Fire Authority Reserve Strategy

9. APPENDICES

1. 2022-2026 Reserve Strategy
2. Reserve Summary at 31 May 2022.

10. REPORT CONTACT

Danielle Neale, Treasurer.