INTRODUCTION

The Financial Strategy 2020-21 to 2024-25 (approved on 18 November 2020) assessed the Service's position against four key areas consisting of performance, people, governance, and external factors. It also considered where the Service would like to be, and how it planned to get there. This paper provides an updated assessment against the four key areas and progress made against key measures and actions.

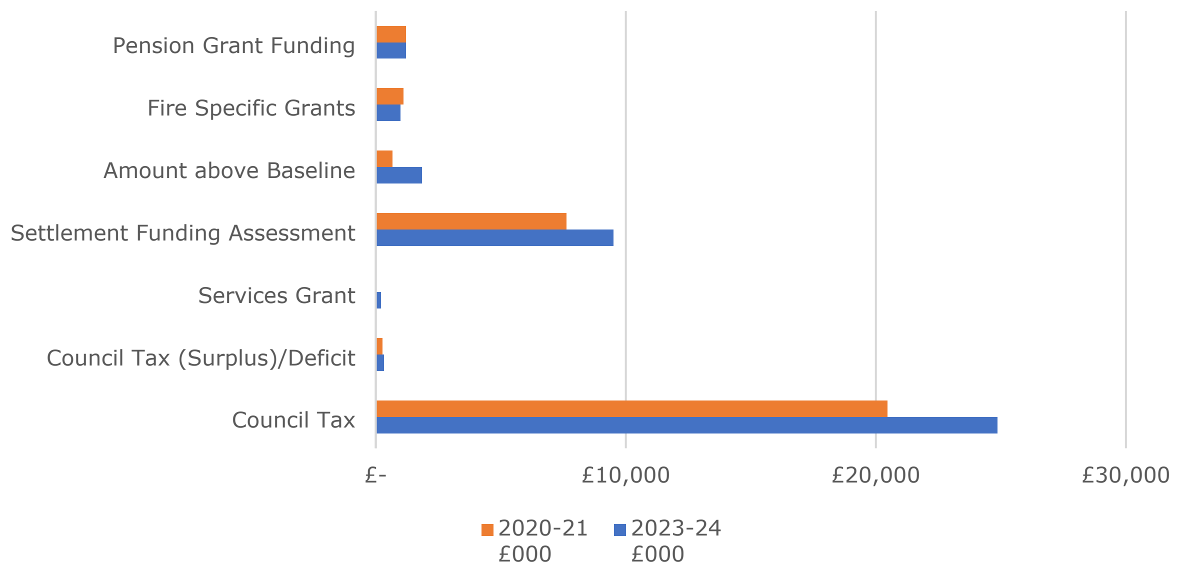
The Financial Strategy incorporated the Reserves Strategy covering the period up to 2024-25. This paper presents an updated Reserves Strategy that reflects the changing financial outlook since the Strategy was first approved.

PERFORMANCE

Nature, level and sources of income and reliance on individual sources of income

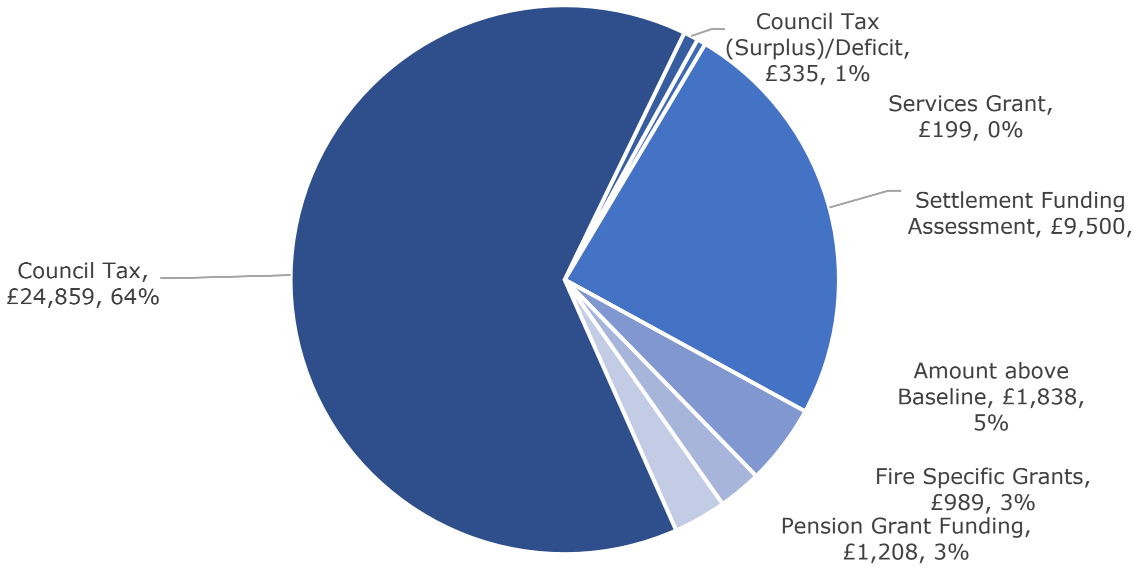
Since 2020-21 there have been significant changes in the level of funding for the Service. The most significant change was the ability to increase the Band D Council Tax precept by up to £5 in 2022-23 and 2023-24 without having to hold a local referendum. The limit in the preceding years had been either a 2% or 3% increase. The chart below shows the significant additional Council Tax revenue this has generated.

Sources of Funding 2023-24(£000):

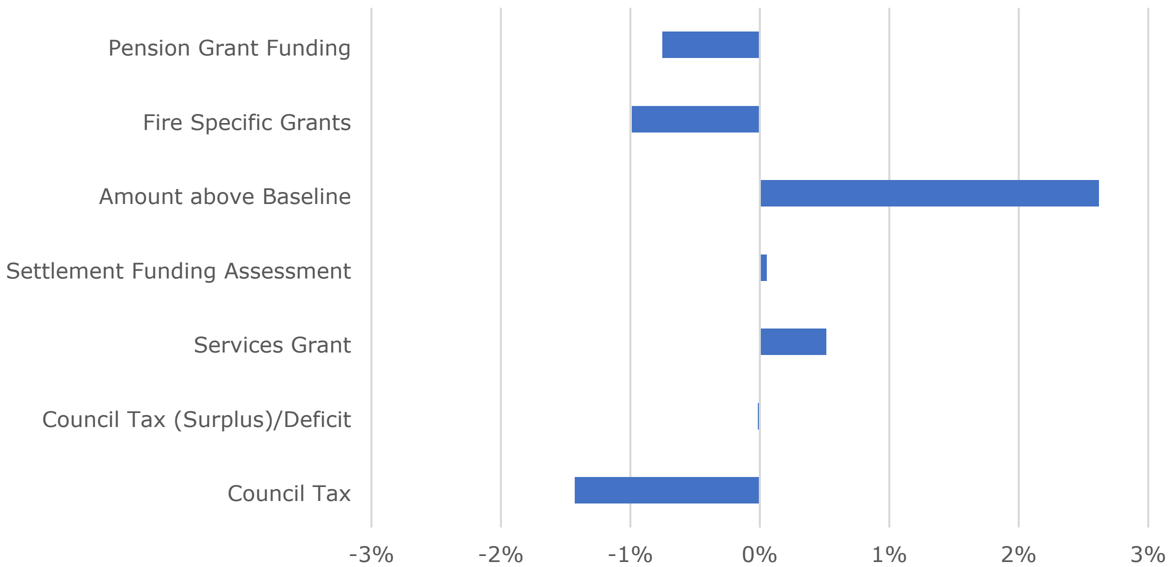


The following two charts show the proportion that each funding stream contributes towards total funding in 2023-24, and the movement in those proportions between 2020-21 and 2023-24.

Sources of Funding 2023-24 (£000) and Relative Percentage Shares:



Sources of Funding 2023-24; Movement in Relative Shares 2021-22 to 2023-24:



Despite the increased Council Tax precept flexibility, the proportion of funding received from Council Tax has decreased slightly since 2020-21. This is mainly due to Settlement Funding Assessment (SFA) increasing by at least as much on average (linked to the level of inflation) and the significant increase in the amount of business rates funding received that is above the assessed baseline amount.

The amount above the baseline increased significantly in 2023-24 in large part due to a reassessment of historic appeals and bad-debt provisions by the billing authorities. The proportion of funding this represents is forecast to fall back to around 2-3% in 2024-25. However, there remains a risk that some of this amount could be phased out over the longer-term if the Government choses to reset the business rates baselines.

Fire specific grants consist of funding for both Urban Search and Rescue (USAR) and Firelink. For 2023-24, USAR funding was £817k and Firelink was £172k. It has been confirmed that Firelink funding will be phased out over five years in equal fifths, with the last payment being in 2025-26. When the budget was approved in February, the Service had been informally told that USAR funding would cease on 31 March 2024. Following extensive lobbying, the funding was extended to 31 March 2025 and it is hoped that the Government will be able to fund the capital replacement costs for all USAR teams and that the Service will continue to receive USAR funding for the foreseeable future.

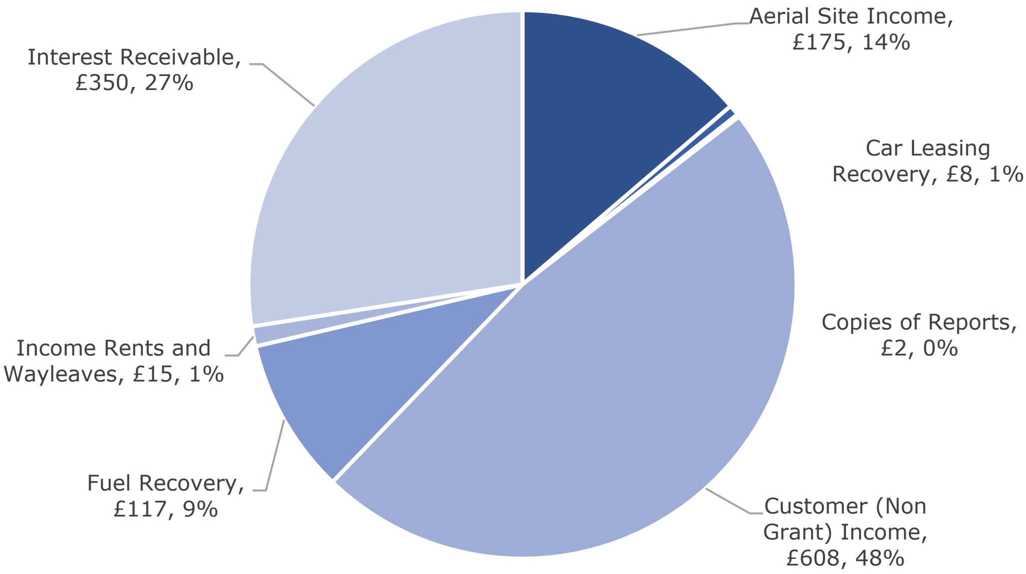
As well as the funding shown above, the Service also generates other income, totalling £1.3m in 2023-24 (£0.6m in 2020-21). Most of the increase is attributable to two factors:

- Customer (Non Grant) Income – most of this increase relates to charges to South Central Ambulance Service and Thames Valley Police under the cost sharing agreement for the Blue Light Hub in Milton Keynes
- Interest Receivable – since the Strategy was first published the Bank of England base rate has increased from 0.10% to 4.50% (as of 15 May 2023). This has significantly increased the returns the Service can achieve from lending cash balances as part of its Treasury Management Strategy.

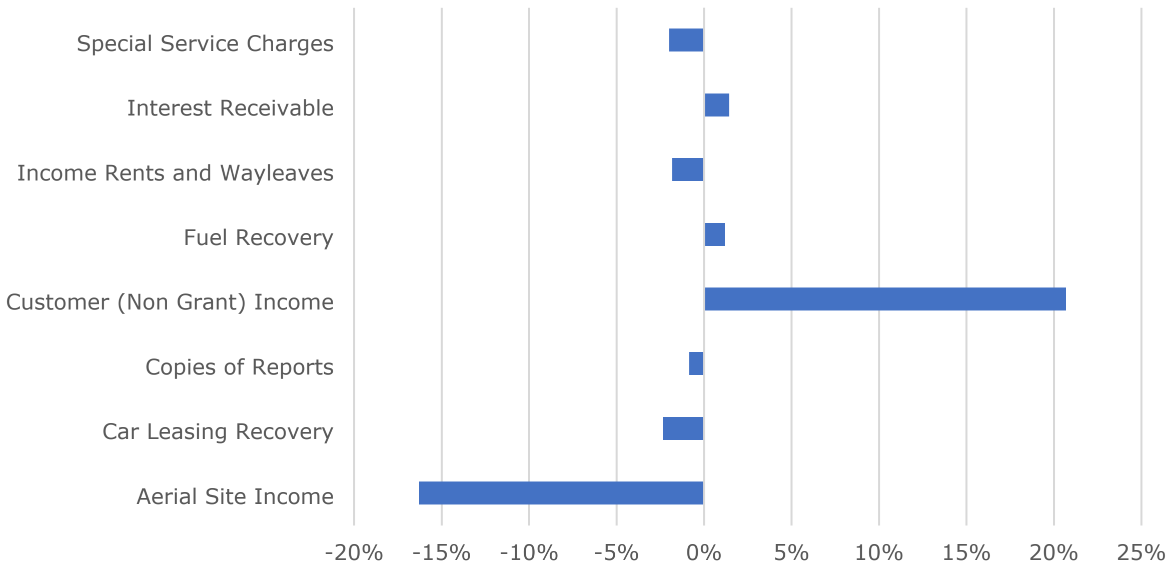
The relative impact of these changes, and other movements, can be seen in the following charts:

Other Income 2023-24 (£000):

Other Income 2023-24 (£000) and Relative Percentage Shares:



Other Income 2023-24; Movement in Relative Shares 2021-22 to 2023-24:



The chart above shows that the proportion of aerial income has decreased significantly since 2020-21. However, as can be seen in the first chart the absolute amount has stayed constant and the proportion has only fallen due to the significant increases in the level of interest receivable and customer (non grant) income.

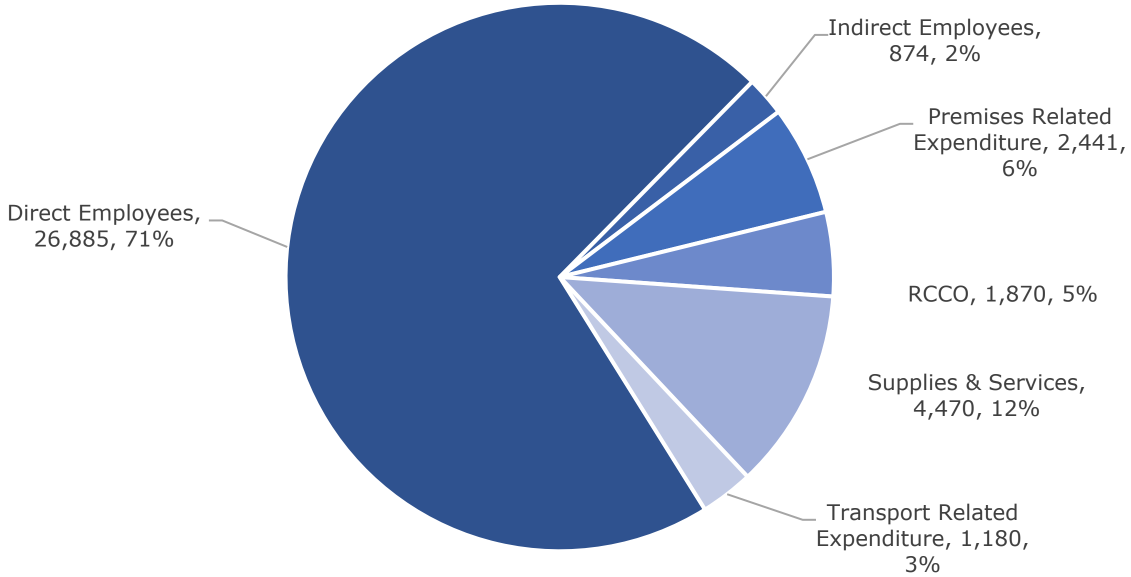
It is positive that there is less reliance on aerial site income, as newer versions of the telecommunications code would make it much harder to maintain business as usual operations if new contracts for aerials were to be agreed. Most of the current contracts have circa fifteen years remaining, but it is unlikely these will be renewed when they expire.

The review of services that we charge for planned for 2022-23 will now be undertaken in 2023-24.

Cost base

Since 2020-21 some aspects of the Service's cost base have also changed. The chart below shows the proportion of costs allocated to each high-level subjective heading.

Expenditure 2023-24 (£000):



Generally, there has been relatively little movement at this level compared to 2020-21. The most significant change is the proportion of the cost base attributable to premises costs, which has increased from 5% to 7%. This is analysed in more detail later in this paper. It is good to note that despite significant inflationary pressures between 2020-21 and 2023-24, the total amount spent on supplies and services has decreased very slightly in cash terms, and significantly in real terms.

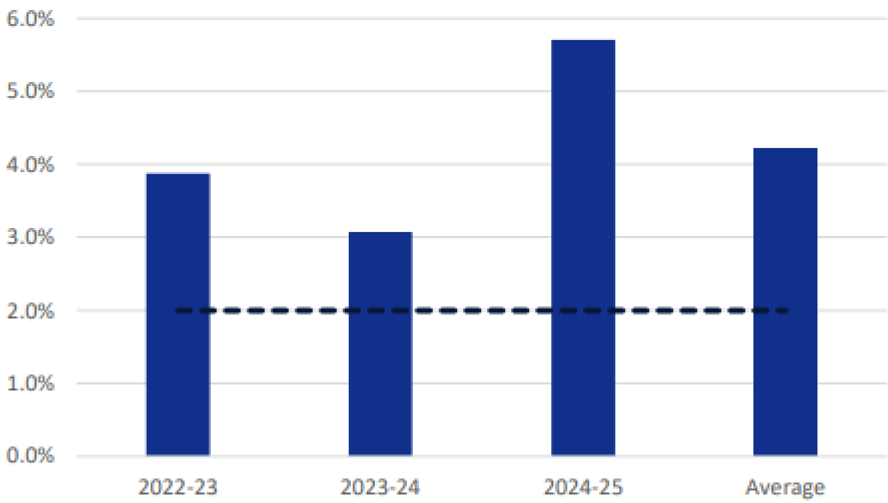
One of HMICFRSs key facts that they publish for each service is the firefighter cost per person per year, versus the national average. As can be seen in the screenshot below, this Service compares extremely favourably on this measure:

[Source: https://www.justiceinspectorates.gov.uk/hmicfrs/fire-and-rescue-services/buckinghamshire/ (Accessed: 15 May 2023)]

The Financial Strategy also set out the aspiration to increase expenditure on front-line staff as a percentage of total expenditure. Between 2020-21 and 2023-24 this figure has increased from 61% to 63%. It should be noted that the definition of frontline staff includes all wholetime and on-call positions, as well as prevention and protection officers.

Planned efficiency improvements

In March 2023, the Service published the most recent version of its Efficiency and Productivity Plan, which amongst other things, summarises the cashable efficiency savings in non-payroll costs the Service has made during 2022-23, and plans to make during 2023-24 and 2024-25. The chart below shows the savings achieved/planed for each year, and on average over the three-year period, against the target of 2% efficiency savings target expressed as a percentage of non-payroll budgets:



As can be seen from the above, the Service exceeded the target for 2022-23 and has firm plans in place to meet the target in the next two years also. The planned efficiencies for 2023-24 and 2024-25 and the latest progress updates are shown in the table below:

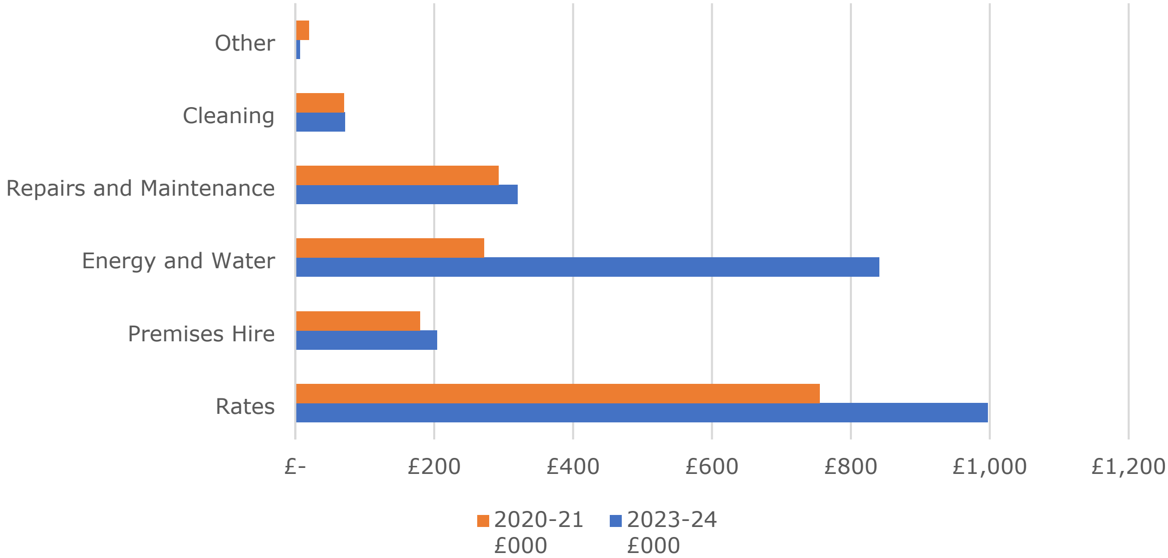
Efficiency Area	2023-24	2024-25	Total	Progress Update
Blue Light Hub*	166	-	166	Complete.
Computer Software	40	-	40	Complete.
Revenue Contribution to Capital	-254	370	116	Transfer of year-end underspend from 2022-23 to the Revenue Contribution to Capital Reserve means there is an upside risk to this savings target.
Net Borrowing Costs	348	45	393	Further increases in interest rates mean there is an upside risk to the income target. Interest savings in 2024-25 will be slightly higher due to early repayment of a loan.
Exit of Unit 7		165	165	Business case to be presented to the Executive Committee during Q3 of 2023-24.
Total	**300**	**580**	**880**	

* Following a full year of occupation of all three services and the final assessment of business rates, this is the net difference between that rates figure and the service charge to the tenants (not the total net saving from moving to the BLH)

Level of overhead costs

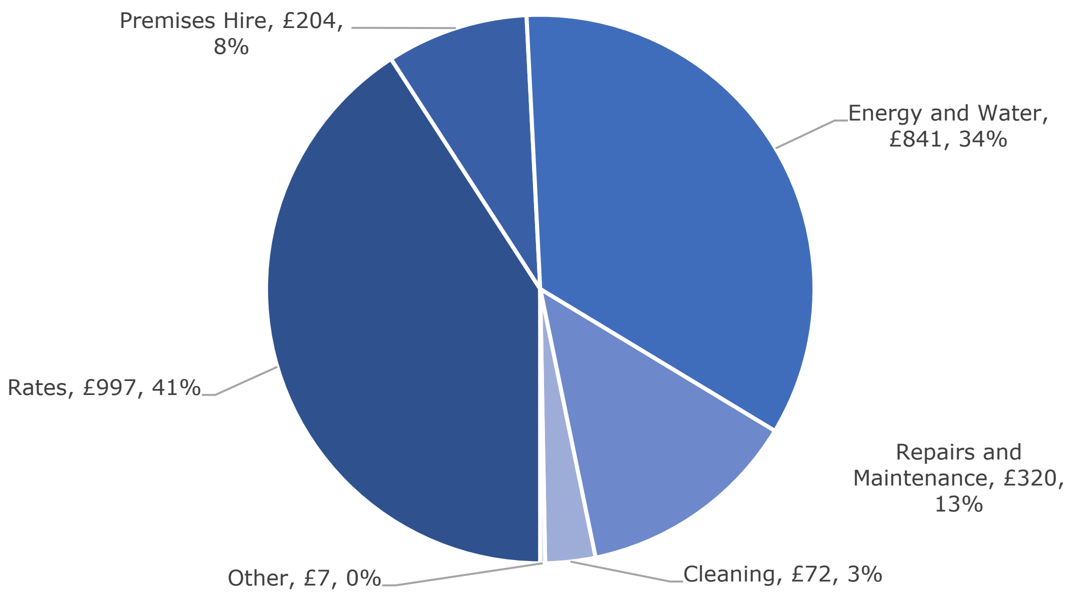
As can be seen from the previous chart, the majority of overheads are categorised within premises related expenditure and supplies and services.

Overhead Costs 2023-24 (£000):

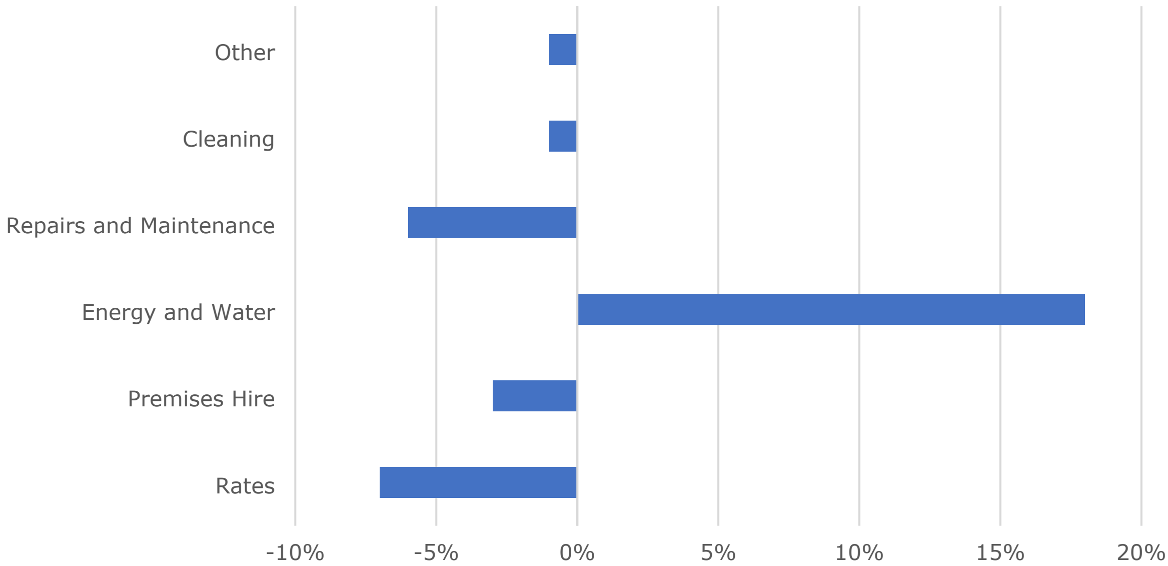


As can be seen in the chart above, there has been an increase in the rates payable and an even larger percentage increase in the energy and water costs (due predominantly to increases in gas and electricity wholesale prices). However, a large proportion of the increase in rates payable is offset by the additional income received from recharging the costs of the Blue Light Hub in proportionate shares to the other two occupying services (see also p.3-4).

Overhead Costs 2023-24 (£000) and Relative Percentage Shares:

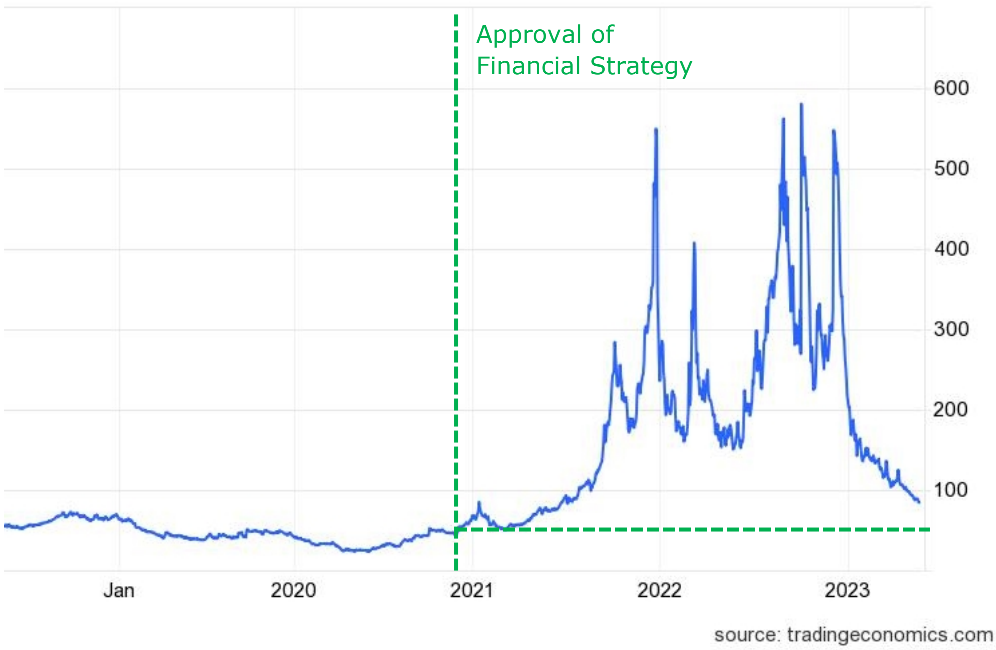


Overhead Costs 2023-24; Movement in Relative Shares 2021-22 to 2023-24:

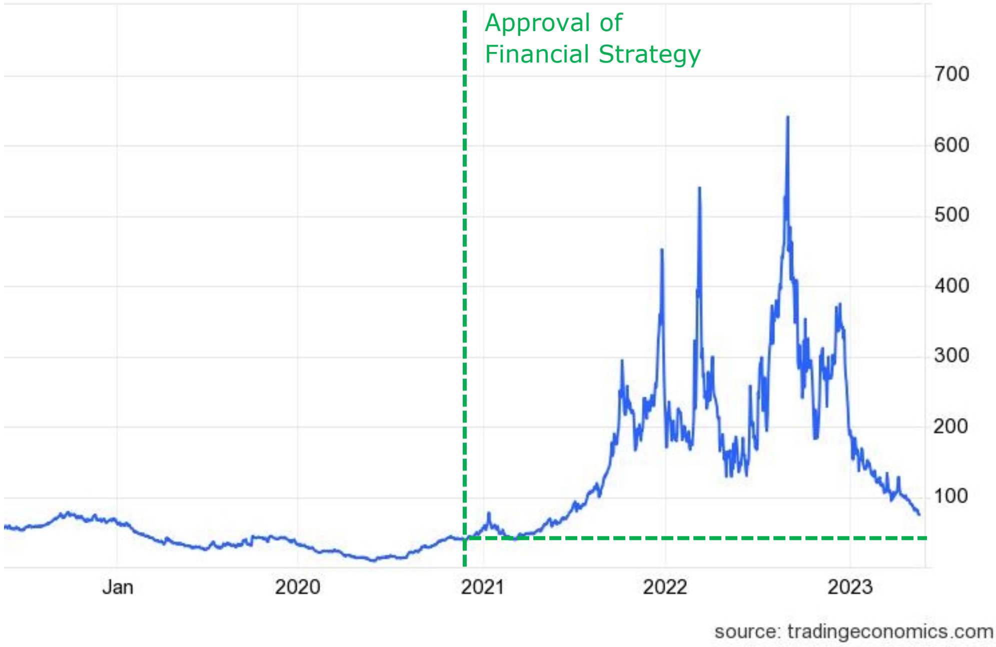


The significant rise in energy costs has meant that energy and water costs now represent over one third of the Service's premises related expenditure. The rise in energy costs is inextricably linked to wholesale electricity and gas prices.

UK Electricity Spot Prices (£/MWh) as of 16 May 2023:



Natural Gas UK (£p/thm) as of 16 May 2023:



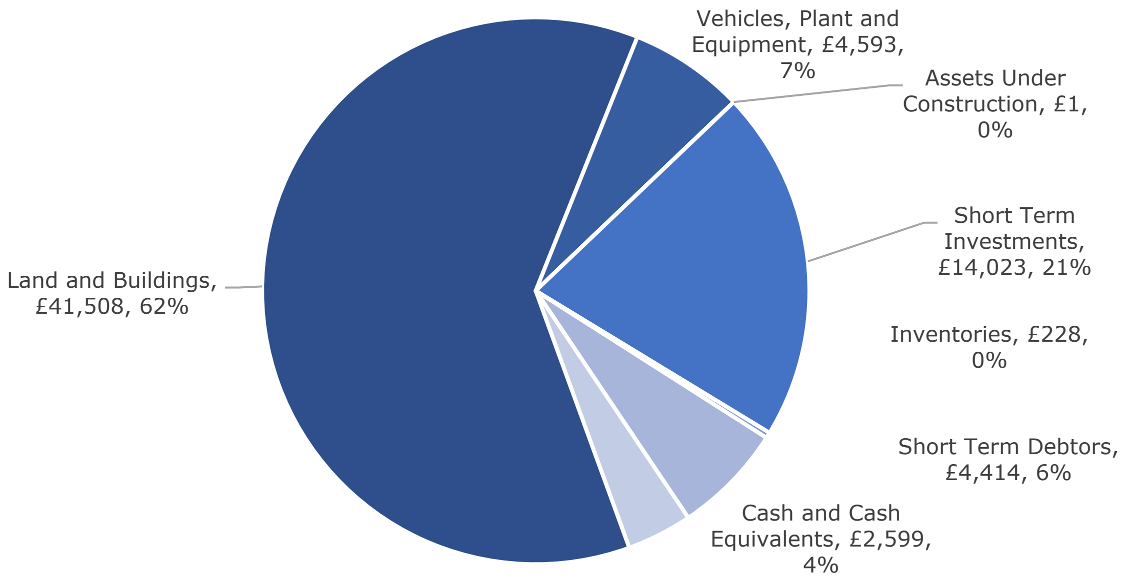
Although prices have come down significantly from the peaks in the Summer and Winter of 2022, prices are still notably higher than when the Strategy was originally approved in November 2020. The Service agreed a new 12 month fixed-price contract for electric and gas from 1 April 2023. The wholesales prices will continue to be monitored throughout the year with a view to awarding further contracts from 1 April 2024 at the most opportune time.

The original Strategy also noted the plan to exit the Unit 7 building in order to reduce the overheads costs, namely rent, rates and utilities. Plans continue to progress, although the ongoing uncertainty about the longer-term future of USAR adds complexity to an already complex project. A further paper will be presented to the Executive Committee in Q3 of 2023-24 that sets out the business case for this discrete project.

Financial assets and liabilities

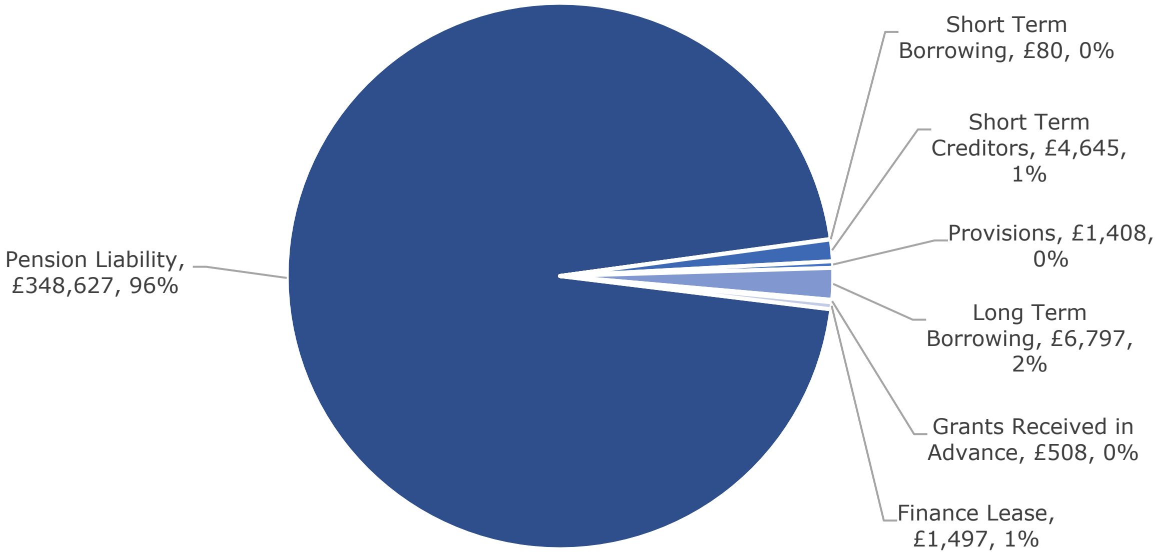
The following charts show the assets and liabilities of the Service as at 31 March 2022.

Assets as at 31 March 2022 (£000):



The only significant changes in the percentage distribution since the last Strategy is Assets Under Construction decreasing from 20% to 0% and Land and Buildings increasing from 47% to 62%. This is predominantly due to the reclassification of the Blue Light Hub between those two categories when the building became operational.

Liabilities as at 31 March 2022 (£000):



Total liabilities continue to far outweigh total assets, although this is due to the significant pension liability shown on our Balance Sheet. Effectively, the Pension

Funds are in deficit by c.£349m compared with what is needed to pay the pensions of current scheme members, and the effect is to reduce the overall net worth of the Authority by that amount. However, statutory arrangements for the funding of the deficit, whereby the deficit will be made good by employer contributions over the remaining working life of employees as assessed by the scheme's actuaries, mean that the financial position of the Authority remains viable.

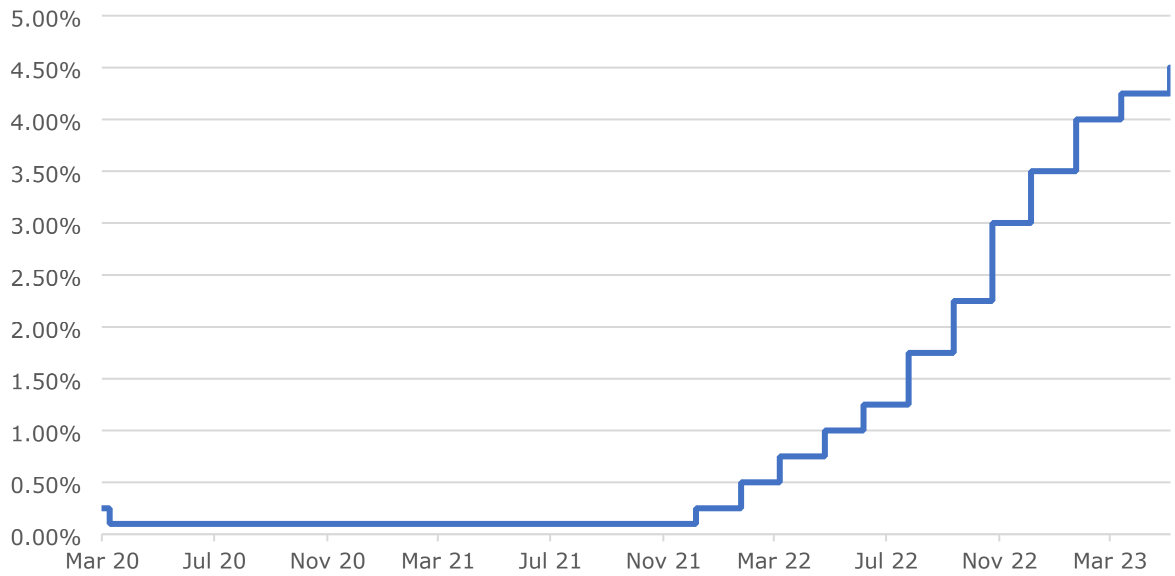
Nature and level of reserves

Details of the reserves are contained within the updated Reserves Strategy on pages 21 to 25.

Ability to service borrowing

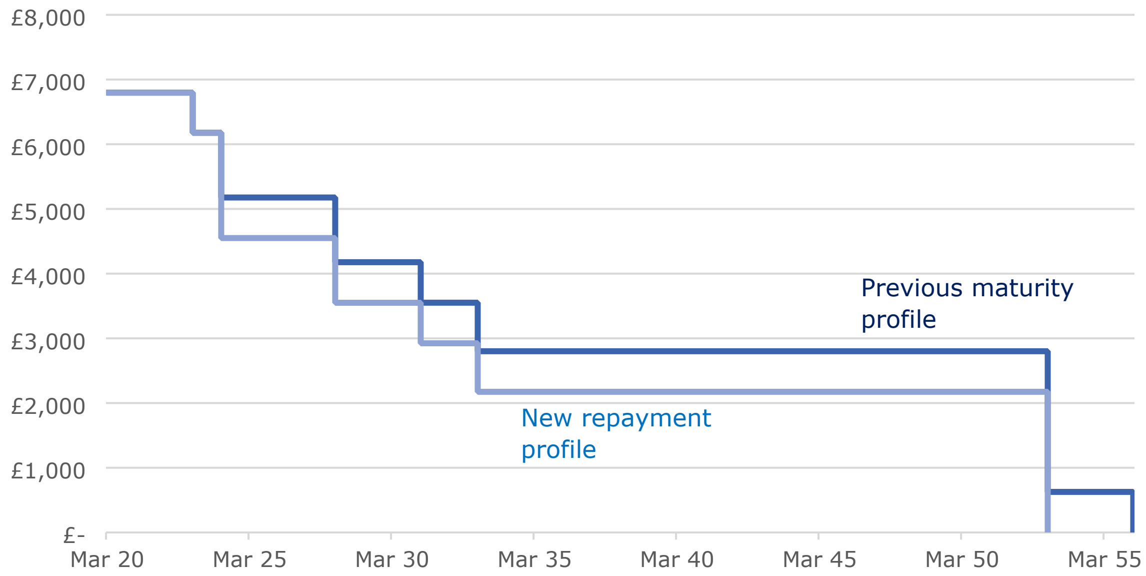
The Financial Strategy had originally noted that early repayment of borrowing was not feasible at the time due to the significant early repayment charges that would be applicable. However, the level of the charge is inversely related to interest rates. The chart below shows the movement in the Bank of England base rate since the Strategy was originally approved.

Bank of England Base Rate since March 2020:



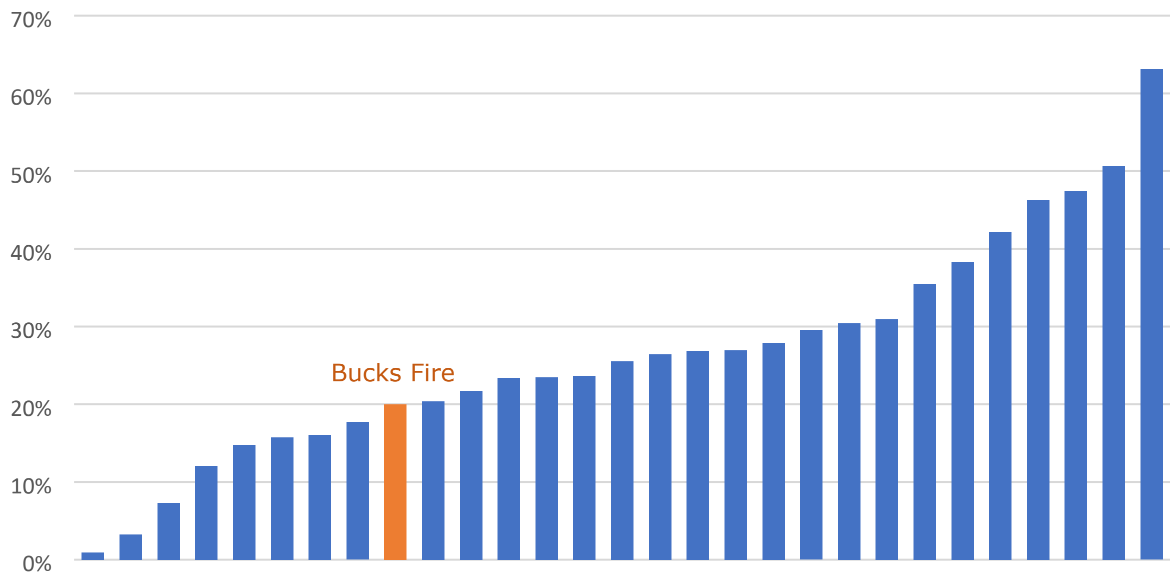
The increases during the last 12-18 months now mean that the Service could repay some of the loans while making a net saving. The chart below shows the maturity profile of the Service's borrowing and the new profile having repaid £627k that was due to mature in 2053 during June 2023. The loan was repaid at a discount of £46k and the net present value of the saving is forecast to be £166k. Interest rates will be monitored during the course of the current Strategy to determine the possibility of further early repayments. A further loan of £1m due to be repaid when it matures in March 2024.

Long-term Borrowing Maturity Profile (£000):



The chart below shows the level of PWLB debt held by the Service as at March 2023 as a percentage of core spending power, in relation to other services.

PWLB Debt as a Percentage of Core Spending Power as at 31 March 2023; Standalone Fire Services:

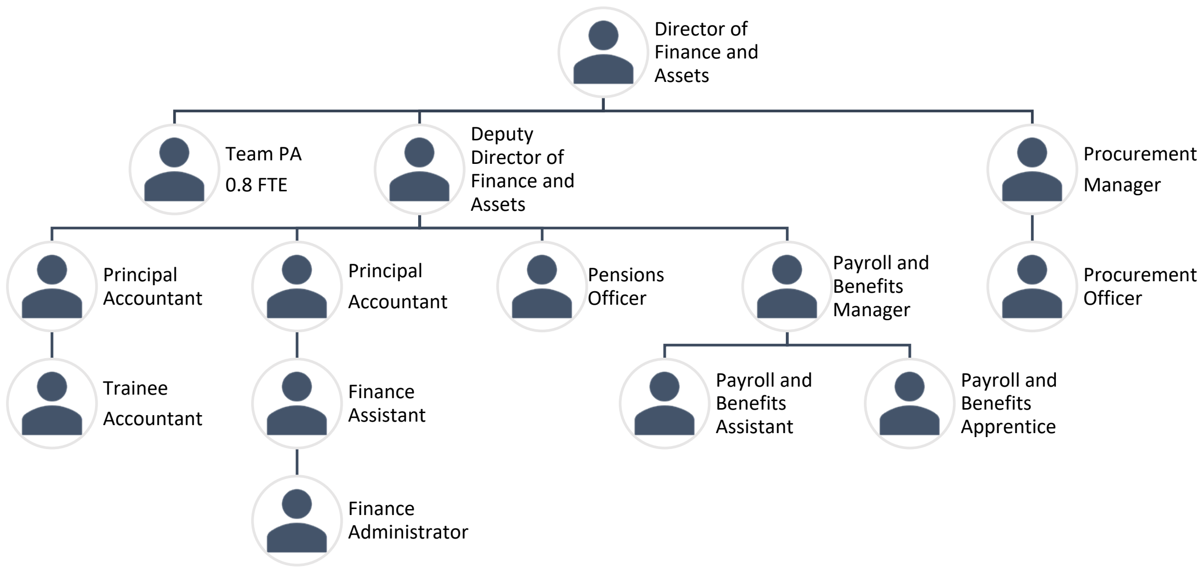


With the early repayment and loan maturing in March 2024, this figure is forecast to fall to 15% by 31 March 2024.

PEOPLE

Structure of the Finance function

The structure of the Finance function remains broadly as set out in the Strategy, with some minor adjustments made to adapt to changing circumstances, which generates a small saving of around £3k per year:



The changes to note are:

- The Procurement Specialist post was replaced with a Pensions Officer post, in line with the action plan set out at the time.
- As a result of the Finance Apprentice completing their apprenticeship, the Finance Officer post is now a Finance Assistant post and the Finance Apprentice post was replaced with the Finance Administrator role
- The Payroll and Benefits Administrator post has been replaced with a Payroll Apprentice post
- The Trainee Accountant post is currently 0.6 FTE and the Payroll Manager post 0.6 FTE following requests from those postholders for flexible working arrangements
- A temporary Accountant post of 0.8 FTE has been introduced to provide resilience across those two areas

Nature and level of staffing, staff skills and expertise

The team is currently fully established. Most staff have, or are working towards, a relevant professional qualification.

Succession arrangements for key staff

Succession plans are presented annually to the Executive Committee. Experience has shown these have worked effectively, as noted in the Strategy. Since then, the arrangements have been further demonstrated as the Payroll and Benefits Assistant has been promoted to the role of Payroll and Benefits Manager and the Finance Apprentice has been promoted to the role of Finance Assistant.

Relationships with elected representatives, the governing body and senior managers and the status of the Chief Financial Officer within the organisation

The Director of Finance and Assets continues to be a key member of the Senior Management Board and works closely with the Lead Member for Finance and Assets, Information Security and IT.

GOVERNANCE

Financial expertise of the governing body

The initial self-assessment against the CIPFA Financial Management Code indicated the need to review the skillsets of elected members and offer further training if required.

Since then, the Director of Finance and Assets, in their role as lead finance professional for the sector, was asked to lead a series of "masterclasses" on finance for senior leaders and aspiring senior leaders in the sector. These have been recorded, edited and are available as online packages. Rather than assessing the skills of elected members, these videos will be shared with all members.

The Strategy also noted planned improvements to the governance of projects through the implementation of a Programme Management Office. Not only has this enhanced the oversight of projects and other capital works, but has also assisted with the governance of the budget challenge process, including seeking views from a broader section of the organisation as part of this.

Financial and related policies

The approved Financial Regulations are supplemented by Financial Instructions. The latter was reviewed and updated in June 2023. Closely related to these is the Standing Orders Relating to Contracts, which were updated and approved by the Authority in December 2022.

Financial management systems and processes

The Service continues to use Integra for finance and procurement and iTrent for payroll (and HR). Given these are working well for the Service the decision was taken to extend these contracts rather than go to the time and expense of replacing them.

The Core Financial Controls internal audit reviews our systems and processes on an annual basis. The highest assurance level on this audit has now been achieved in each of the last ten years.

Political priorities and commitments

The Financial Strategy must be consistent with the Public Safety Plan. The next update to this Strategy will be following the approval of the new Community Risk Management Plan 2025-2030 to ensure the priorities within that Plan can be funded sufficiently.

EXTERNAL

The organisation’s reputation for effective financial management and performance

As noted in the Strategy, the two main organisations that review our financial management and performance are His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and Ernst & Young LLP (EY) as our external audit firm.

In their 2018/19 inspection report HMICFRS raised a cause for concern as to whether the Service had the resources needed to meet the foreseeable risk as a result of the financial position the Service found itself in at the time. However, in their most recent report this cause for concern was removed given the improving financial position. As noted earlier in this report, the position has continued to improve further since then. However, the overall rating for efficiency was still graded as “requires improvement”.

The most recent inspection was undertaken during May 2023 and the outcomes from that will be factored into future strategies and plans as required.

Recently, there have been significant delays in receiving the final audit opinion from the external auditor. There are a number of reasons for this, but it doesn’t create any significant concerns about the figures in the report, or our financial processes.

Changes to government regulations or guidance

The Strategy noted that the most significant impact would be the Sargeant pensions ruling, and noted this would require a dedicated resource to manage. As noted earlier, that dedicated resource has been integrated into the team with no net increase in cost. The legislation needed to fully enact the changes is expected in the Autumn/Winter of 2023. In the meantime, the Service has adopted the immediate detriment guidance to ensure that all category one cases can received their pension inline with the anticipated rules at the point at which they retire.

Changes in service user demand or profile and other changes in the external environment

COVID-19 impacted the funding receivable in the early part of the Strategy, which will have a knock-on effect in terms of the council tax and business rates receivable into the future. However, these impacts are now know and can be forecast with more certainty that was the case during the pandemic.

In December 2022, the Fire Authority approved the timetable for its new Community Risk Management Plan covering the period 2025-2030. A new Financial Strategy will be developed to ensure the requirements in this plan can be funded as effectively and efficiently as possible.

In July 2022, a review of partnership arrangements that the Service is a part of was presented to the Executive Committee to provide assurance that all arrangements comply with financial and governance best practice.

Summary of Position

Where the organisation was/is

The table below compares the summary assessment of the Service's position when the Strategy was produced against the updated summary assessment considering subsequent changes and events:

Original	Update
Performance	
Council Tax is a significant proportion of funding, however still heavily reliant on non-local sources of funding with low certainty over future levels	Relatively little change in funding proportions with most movements being distorted by the review of historic business rates
Efficient in terms of cost per firefighter and net expenditure per head of population	No change
Excellent budgetary and other internal controls	No change
Over-borrowed but unable to repay loans early. Borrowing costs are not overly burdensome. Capacity to borrow more if required.	Changes in interest rates allowed repayment of £627,000 in June 2023 (original maturity date 2053) at a discount. Further early repayment options to be kept under review.
Sufficient reserves but uncertain future levels due to uncertainty over future funding streams	Improvement in current reserve levels and significant improvement in forecast future levels Still uncertainty about longer-term future of USAR funding
People	
Sufficient number of finance staff	No change
Qualified and experienced Finance team.	No change
Succession planning demonstrated to be working well.	Further demonstrated since initial publication
Dedicated Lead Member provides support and challenge	No change
The Chief Finance Officer is a member of the Senior Management Team.	No change
Governance	
Financial expertise of non-Finance staff and elected Members needs to be formally reviewed	Instead of a formal review NFCC Finance Masterclass presentations will be circulated to all non-Finance staff and elected Members
Up-to-date and proven financial policies	No change
Efficient finance system and processes, although scope to improve the end-to-end process for payments to staff	Improvements to processes are ongoing

MTFP consistent with Public Safety Plan and Corporate Plan	No change
External	
Reputation for delivering an efficient service, but concerns about effectiveness due to insufficiency of resources to fully support the activity in the Public Safety Plan	HMICFRS removed their cause for concern in this area but efficiency rating remained as "requires improvement"
Strong representation on stakeholder groups	No change
Unknown impact of key legislation regarding pensions	Impact can be forecast more accurately but still awaiting final legislation (expected Autumn/Winter 2023)
Potential changes in user demand and/or profile as detailed in the Public Safety Plan	Currently no change. A new Strategy will be produced in line with the upcoming Community Risk Management Plan 2025-2030
Further uncertainty due to the COVID-19 pandemic	This is no longer a significant risk to the organisation.

Where the organisation would have liked to have been/would like to be

The table below compares where the organisation would like to be from the Strategy and notes progress against these aims, and work that still needs to be done:

Original	Update	RAG
Performance		
Able to increase Council Tax above the current limit of 2%	Done. Continue to lobby to retain the increased flexibility available for 2022-23 and 2023-24.	G
Other grant funding to be brought within our core Settlement Funding Assessment (SFA)	It was originally reported the pension grant would be inside SFA from 2022-23 but this is still yet to happen	A
Increased expenditure on front-line staff as a percentage of total expenditure	Done and continue to do this	G
Further reduced overhead costs by reducing the size of the estate	In progress, but uncertainty regarding longer-term future of USAR is impacting project timelines. Business case to be presented to Executive Committee during Q3 of 2023-24.	A
No additional borrowing and have repaid deals that have matured	Done and continue to do this	G
Reserves maintained at current levels	Done and continue to do this	G
People		
Minor change to staff structure to incorporate dedicated pensions expertise	Completed	Done

No overall increase in the number of Finance, Procurement or Payroll staff	Done and continue to do this	G
Retain existing staff expertise, knowledge and skills as far as possible	Small turnover of staff with succession plans demonstrated to be working well	G
Continue to work closely with Lead Member	Ongoing	G
The Chief Finance Officer remains a member of the Senior Management Team.	Ongoing	G
Governance		
Non-Finance staff and elected Members assessed as having a high level of financial expertise	Assessment to be replaced will rollout of NFCC Finance Masterclasses	G
Policies updated to reflect changes in legislation and best practice	Done and continue to do this	G
Systems and processes further optimised, especially with regards to the end-to-end processes for payments to staff	Ongoing	G
Programme Management Office supports Finance and the wider organisation to deliver transformational change through an efficient internal governance system	Programme Management Office implemented leading to enhanced governance and oversight of financial implications.	Done
External		
HMICFRS note improvements to efficiency in their report. Ratings for efficiency and effectiveness both improved to "good"	Efficiency and effectiveness still rated as "requires improvement" in the most recent report	R
Influence within the NFCC and with Home Office secures a good funding settlement for the Service	Funding settlements for 2022-23 and 2023-24 were good and in-line with inflationary pressures	G
Pensions remedy fully implemented	Work ongoing and will become business as usual once legislation is enacted (expected Autumn/Winter 2023)	G
Finances able to respond to changes in user demand/profile	Ongoing	G
Ensure external partners maintain the same high standards of conduct with regard to financial administration and corporate governance that apply throughout the Authority and that they contribute to the achievement of the Authority's objectives	Review of partnership arrangements presented to the Executive Committee in July 2022	Done

Implementing the Strategy

The following table shows progress against the action plan from the Strategy and any revised target dates, as well as new activities identified as part of this update:

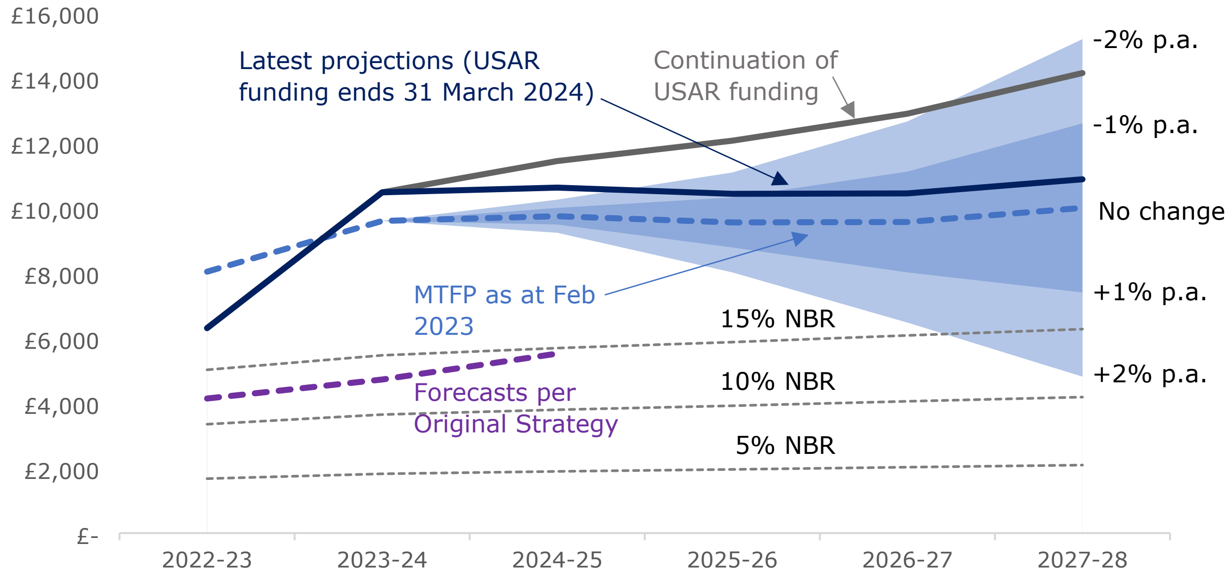
Activity	Target/outcome	Update	RAG
2020-21			
Continue to lobby for an increase in the Council Tax Referendum Limit and for other grants to become part of the Settlement Funding Assessment	Maintain or enhance firefighter numbers and substantiate temporary protection staff	Flexibility to increase Council Tax by up to £5 without a referendum was available for 2022-23 and 2023-24 following extensive lobbying.	Done
Value for Money (VFM) initial review by external provider	Identify areas for improvement in relation to other fire services	Review completed and reported as part of the first update on the Financial Strategy	Done
Review estate footprint	Reduction in overhead costs	In progress. Business case for exiting Unit 7 to be presented to the Executive Committee during Q3 of 2023-24.	A
Review of Partnership arrangements	Ensure partners have high standards and contribute to our objectives	Review reported to the Executive Committee in July 2022.	Done
Establishment of Programme Management Office	Better oversight of key corporate projects to support transformation	Complete	Done
Recruit Pensions Officer	Dedicated expertise to support implementation of legislative changes	Complete – no increase in net cost of team	Done
2021-22			
Review of system requirements and processes and upgrade/replace system	Improved efficiency (also compliance with procurement regulations as current contract ends 31 March 2022)	Current contract extended. Will be required to move to latest version within contract period.	G
Review of budget monitoring and performance reporting arrangements	Improved reporting and compliance with CIPFA FM Code	Complete. Monitoring report now contains detail on workforce planning.	Done
Review skillset of non-Finance staff and elected Members	Improved compliance with CIPFA FM Code	NFCC Finance Masterclasses to be circulated to all staff and Members in lieu of undertaking an assessment	G
2022-23			

Repeat and review VFM exercise	Identify areas for further improvement	To be paused pending review of fire specific benchmarking pilot in 2023-24	A
Review of Charging Policy and support review of unwanted fire signals as per the Corporate Plan	Explore opportunities for further efficiencies	To be completed in 2023-24	A
Review of ethical financial management	Improved compliance with CIPFA FM Code		A
2023-24			
Complete any outstanding items from above	-	See below	N/A
New Action	Reduce energy costs	Monitor energy prices and determine best point and duration to fix prices for (will also aim to reduce usage through actions within the Property Strategy)	G
Updated Action	Identify areas for further improvement	Review the benefits of joining the fire specific benchmarking group being piloted	G
Updated Action	Future investment in the Service	Continue to lobby to retain the £5 Council Tax precept flexibility	G
Action b/fwd	Explore opportunities for further efficiencies	Review of Charging Policy and support review of unwanted (from 2022-23)	G
Action b/fwd	Improved compliance with CIPFA FM Code	Review of ethical financial management	G
2024-25			
Zero-based budget in preparation for Public Safety Plan 2025-30	Reset any budgets that may have ‘drifted’ over time.	To be carried out during 2024-25 in preparation for 2025-26	G

RESERVES STRATEGY

As noted earlier in this document, there has been a notable improvement in the financial position of the Service, reflected in the reserves position and outlook. The chart below shows the forecast reserves balances at the time the Strategy was approved against the latest forecast balances.

Forecast Usable Reserves Balances; Aggregate (£000):



The dashed-blue line shows the position presented as part of the medium-term financial planning (MTFP) process in February 2023, at which point it was believed USAR funding would cease on 31 March 2024. It also shows a sensitivity analysis and forecast position should pay awards be higher or lower per annum (p.a.) than the core assumption. These forecasts can then be compared to the levels of reserves were they to be maintained at either 5%, 10% or 15% of net budget requirement (NBR). It would be recommended to keep reserves above the 15% line as far as possible.

The dark-blue line shows the most recent position. The start position is lower than forecast in February due to the timing of the receipt from the sale of Great Holm, which is partially offset by a higher than forecast year-end favourable variance and capital slippage. The forecast position by the end of 2023-24 will be slightly higher than forecast in February, as the capital receipt from Great Holm has now been received and it is expected capital slippage from 2022-23 will be spent during 2023-24. The latest forecast then tracks the February forecast throughout, but slightly higher due to the favourable year-end variance in 2022-23.

The dark-grey line shows the alternative position should USAR funding continue for the rest of the MTFP period, which will be dependent on the Government securing enough capital funding to replace the assets of all nineteen USAR teams in England.

For comparison, the purple line shows the forecast reserves position at the time the Strategy was approved in November 2020. This highlights how far the Service's financial position has improved in the interim period.

RISK ASSESSMENT TO DETERMINE THE ADEQUACY OF THE GENERAL RESERVE

As part of the MTFP process for 2023-24 a review of the level of the General Reserve was undertaken in February 2023, which can be found here - https://bucksfire.gov.uk/documents/2023/02/fire-authority-meeting-15-february-2023-item-9b-medium-term-financial-plan-2023-24-2027-28.pdf/ (pp.15-16). The level of this reserve does therefore not need to be reviewed as part of this update.

REVIEW OF EARMARKED RESERVES

A review of all earmarked reserves has now been undertaken considering the significantly improved financial position and outlook noted in this report. The table on the following page shows the provisional reserve balances as at 31 March 2023 and recommended reallocations, as well as future forecast balances.

Forecast Usable Reserves Balances; By Reserve (£000):

Reserve	31 March 2023	Year-End Transfers 2022-23	(Use Of) / Transfers In 23-24	31 March 2024	31 March 2025	31 March 2026	31 March 2027	31 March 2028
General Fund	1,500	125	0	1,625	1,625	1,625	1,625	1,625
Workforce Planning Reserve (1)	500	0	0	500	500	500	500	500
~~Continuing Projects Reserve~~ (2)	80	-80	0	0	0	0	0	0
~~COVID-19 Reserve~~ (2)	594	-594	0	0	0	0	0	0
Transformation Reserve (3)	271	549	2,478	3,298	2,954	2,737	2,562	2,620
USAR Capability Reserve (New)	0	0	0	0	817	817	0	0
Revenue Contribution to Capital	3,359	0	1,699	5,058	5,547	5,573	5,761	6,137
Total	**6,304**	**0**	**4,177**	**10,481**	**11,443**	**11,252**	**10,448**	**10,882**

These balances exclude the Control Room Reserve. The Service's share of that balance is shown within our Statement of Accounts but the total balance is held by Oxfordshire Fire and Rescue Service and is governed by the joint committee.

(1) Previously known as the Apprentice Reserve
(2) Reserves to be closed and balance transferred to Transformation Reserve
(3) Previously known as the Future Funding Reserve

Further detail on the purpose of each reserve is detailed below:

Workforce Planning Reserve

Due to the way in which operational firefighters are trained it is most practical and economical to recruit in relatively large tranches of circa eighteen recruits per cohort. However, as staff may leave the Service at more regular intervals there will be times where the Service will be over or under the budgeted establishment numbers.

Where the Service is over the budgeted establishment the reserve will used to be fund the additional cost. When the Service is below the establishment number the reserve will be topped up. Although the balance will fluctuate it should remain steady over the medium to longer term. It is recommended to rename this reserve from the Apprentice Reserve to reflect its purpose more accurately.

Continuing Projects Reserve

This reserve was originally created to cover the costs of projects that the Service was undertaking, the majority of which related to the Business and Systems Integration (BASI) project. The projects have all now completed and it is recommended that the balance of this reserve is transferred to the Transformation Reserve.

COVID-19 Reserve

This reserve was created to mitigate against negative funding impacts because of the global pandemic. In the event, the significantly improved financial outlook for the Service means this reserve is no longer required for that purpose. It is therefore recommended that the balance of this reserve is transferred to the Transformation Reserve.

Transformation Reserve

This reserve was originally held to meet known funding requirements within the medium-term financial plan and to fund projects from underspends in the previous year. The approved budget for 2023-24 showed a net transfer to reserves of £2.478m, which it is proposed will be transferred into this reserve. Given the improved financial outlook, it is now envisaged that this can be used to fund transformative improvement projects to be identified as part of the upcoming Community Risk Management Plan (CRMP) 2025-2030, rather than being used to balance future funding shortfalls (except to smooth out some minor year-on-year variations).

It is recommended to rename this reserve from the Future Funding Reserve to reflect the revised scale of its purpose.

USAR Capability Reserve

When the MTFP was presented in February 2023, the Service had received informal notification that its funding for USAR would cease on 31 March 2024. However, following extensive lobbying the Government has since confirmed that funding will be extended to at least 31 March 2025, with longer-term funding contingent on the affordability of the national asset refresh for all USAR teams.

It is therefore recommended to transfer the £817k USAR funding the Service will receive in 2024-25 that wasn’t initially included in the MTFP into a dedicated reserve. Should USAR funding cease after March 2025 the reserve will provide funding to enable the transition away from providing USAR. Should USAR funding be confirmed longer-term, the reserve could be used to invest more significantly in the USAR training facility currently operating on a tenancy at will basis at Westcott and/or other requirements identified within the Community Risk Management Plan 2025-2030.

Revenue Contribution to Capital

This reserve is used to fund the capital programme, which is presented to the Fire Authority annually as part of the MTFP. Maintaining a sufficient balance in this reserve significantly reduces the likelihood that the Service will need to borrow to fund future investment in our estates, fleet, equipment or information technology.