



# Buckinghamshire & Milton Keynes Fire Authority

**Meeting and date:** Executive Committee, 8 February 2024

**Report title:** Medium Term Financial Plan (MTFP) 2024/25 to 2028/29

**Lead Member:** Councillor Matthew Walsh

**Report sponsor:** Mark Hemming, Director of Finance and Assets

**Author and contact:** Asif Hussain, [ahussain@bucksfire.gov.uk](mailto:ahussain@bucksfire.gov.uk), 01296 744421

**Action:** Decision

## **Recommendations:**

That the recommendations below be approved for submission to the Authority:

1. It is recommended that:
  - (a) the report and Statement of the Chief Finance Officer (see section 8 of Annex A) be noted.
  - (b) a Council Tax precept of £79.46 for a band D equivalent property (equal to an increase of approximately 4p per week) and the revenue budget as set out in Appendix 1 be approved.
  - (c) the capital programme as set out in Appendix 2 be approved.

---

## **Executive summary:**

The main report (Annex A) presents the proposed revenue and capital Medium Term Financial Plan (MTFP) for the financial years 2024/25 to 2028/29. The MTFP is closely linked to the Financial Strategy which is the link between the organisation's long-term service objectives and its financial capacity. Buckinghamshire Fire and Rescue Service (BFRS) long-term service objectives are set out in the Public Safety Plan (PSP) and Corporate Plan.

On 5 December 2023, the Government published the local government finance policy statement 2024-25, which sets out the intentions for the local government finance settlement for the upcoming year. The provisional settlement was announced on 18 December 2023, which detailed the funding allocations that have been incorporated into the MTFP. Final confirmation of the settlement is expected in February 2024 and any changes in the provisional to final settlement will be presented in a revised Appendix 1 at the meeting.

In the previous two years, the government has allowed additional precept flexibilities for Fire and Rescue Authorities (FRAs) to increase the precept by £5. This year, the referendum threshold has reverted back to 3% for FRAs. The Authority had lobbied alongside the National Fire Chiefs Council for £5 precept flexibility in 2024/25 to deal with the continuous inflationary pressures being faced by FRA's. Unfortunately, this was not successful, and the referendum threshold remains at 3%.

Revenue Support Grant (RSG) will increase in line with Consumer Price Index (CPI) as at September 2023 whilst the Firelink grant will reduce by 20%. The pension grant funding of £1.206m has been rolled into the RSG on a flat-cash basis but will be uplifted with CPI from 2025/26 onwards. The service has seen a significant reduction in Services Grant which reduced by 84%. The reduction is significantly higher than anticipated. The service had provisionally assumed a 50% reduction only. The revised grant has been updated in the MTFP workings. The 2023/24 allocation was £0.208m and this will reduce to £0.033m, a reduction of £0.175m in funding.

With the introduction of the Non-Domestic Rating Act 2023, this has given ministers the power to set the small and standard business rating multipliers separately from one another. Until 2023-24, these two multipliers had to be increased (or frozen) by the same percentage. Local authorities will continue to be compensated for the freeze in the Business Rates Multipliers in 2024/25, seeing the sum of Baseline Funding Levels (BFLs) and an increase in compensation grant for under indexation of the Business Rates Multiplier rise in line with CPI.

The Service has previously been notified that the grant funding for the Urban Search and Rescue (USAR) capability hosted at Aylesbury will end on 31 March 2025. This will reduce the amount of fire specific grant funding from 2025/26 onward by a further £817k per annum, meaning no fire specific grant funding will be received from 2026/27 onwards. With the support of the local MPs, the Fire Authority continue to challenge this decision to reinstate the funding for USAR to ensure this capability beyond 2024/25.

Key assumptions are detailed in Section 4 of Annex A and are based on information received to date.

The Department for Levelling Up, Housing and Communities (DLUHC) had previously committed to carry out a review of the distribution of formulas and a reset of accumulated business rates growth but have now confirmed that these will not be implemented in this Spending Review period.

The Services grant which is an unringfenced grant will continue to be distributed to all tiers of the government, however it has reduced from £483m to £77m. The distribution methodology will remain the same and the reduction in grant funding relates to the government's decision to reallocate funds to other settlement grants and equalisation of the adult social care precept. This grant will be unringfenced with local authorities best placed to understand local priorities. Provisional figures published 18 December 2023 show that Buckinghamshire Fire and Rescue Service will receive £0.033m, which has been reflected within the projections under the heading Services Grant. The longer-term future of this grant remains uncertain so the current assumption is that this grant will remain in place for 2024/25 only.

Council tax collection funds have been improving since the start of the pandemic where they were adversely impacted, and the tax base reduced. Last year the council tax base increased by 2.15% and council tax base figures for 2024/25 show another year of continued growth averaging at 1.6%.

This year the budget setting process involved the Executive Members who were provided with the overview of the budget and assumptions. The budget setting process was

scrutinised by Officers and Executive Members to ensure only proposals which added value for money and in line with the Corporate Plan and PSP priorities were approved.

The revenue budget for 2024/25 and indicative figures for future years are shown in Appendix 1.

It should also be noted that the figures for council tax and business rates are provisional. The statutory deadline for the billing authorities to provide this information to the Authority is 31 January 2024. Any changes to the figures will be presented in a revised Appendix 1 at the meeting.

Appendix 2 shows the latest summary of the capital programme for 2024/25 and approved schemes for the following years.

Appendix 3 provides further detail on the level of council tax chargeable for each band if the Authority accepts the recommendation to increase the band D by 2.98%.

**Financial implications:** All financial implications are shown in the main body of the report.

**Risk management:** Management of Financial resources is a key risk to the Authority. By projecting forward and monitoring the financial plans, we are in a better position to avoid and mitigate the risk of adverse financial consequences.

**Legal implications:** The Local Government Act 2003 gives the responsible finance officer, namely the Chief Finance Officer of the Combined Fire Authority under s112 of the Local Government Finance Act 1988, the responsibility to report to Members of the Authority on their assessment of the robustness of the estimates used within the budget and on the adequacy of reserves.

Members must have regard to the report of the Chief Finance Officer in respect of the above and the highlighted associated risks before considering the recommendations as set out in the report.

**Privacy and security implications:** No direct impact.

**Duty to collaborate:** No direct impact.

**Health and safety implications:** No direct impact.

**Environmental implications:** No direct impact.

**Equality, diversity, and inclusion implications:** No direct impact.

**Consultation and communication:** None.

**Background papers:**

Medium Term Financial Plan (MTFP) 2022/23 to 2026/27 and Revised Appendices, Fire Authority, 16 February 2022:

<https://bucksfire.gov.uk/documents/2022/02/fa-item-9b-16022022.pdf/>

<https://bucksfire.gov.uk/documents/2022/09/fa-160222-item-9b-revised-appendices-1-and-2.pdf/>

| Appendix     | Title  | Protective Marking |
|--------------|--|--------------------|
| Annex A      | Medium Term Financial Plan 2023/24 to 2027/28  | None               |
| Appendix 1-4 | Appendix 1 – MTFP Budget Model and Reserves Position<br>Appendix 2 – Capital Programme Summary<br>Appendix 3 – Council Tax Rates<br>Appendix 4 – Risk Assessment of the Adequacy of General Reserves |                    |

## **Annex A – Medium Term Financial Plan (MTFP) 2024/25 to 2028/29**

### **1. Introduction**

- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2024/25 to 2028/29.
- 1.2. The MTFP is closely linked to the Financial Strategy which is the link between the organisation's long-term service objectives and its financial capacity. BFRS long-term service objectives are set out in the Public Safety Plan (PSP) and Corporate Plan. The PSP sets out the strategic approach to the management of risk in the communities the service serves. The Corporate Plan sets out how the service intend to equip and develop the organisation and its people to meet the challenges faced by the service. The MTFP details the resources available to facilitate these plans.
- 1.3. As part of the Fire Authority's Terms of Reference and MTFP, the Authority reviews and sets a balanced budget each year in line with corporate priorities. The MTFP is expressed as a detailed annual budget for the first year, with outline indicative budgets for the following four years.
- 1.4. Under Section 25 of the Local Government Act 2003 the Chief Finance Officer (as S.112 Chief Finance Officer of the Local Government Finance Act 1988) is required to report to Members on:
  - The robustness of the estimates made for the purposes of the calculations of the budget
  - The adequacy of the proposed financial reserves
- 1.5. The Local Government Act 2003 requires that Members have regard to the report in making their decisions (see section 8).
- 1.6. Section 42A of the Local Government Finance Act 1992 also requires the Authority to have regard to the level of reserves for meeting estimated future expenditure when calculating the net budget requirement.

### **2. Local Government Finance Settlement 2024 to 2025**

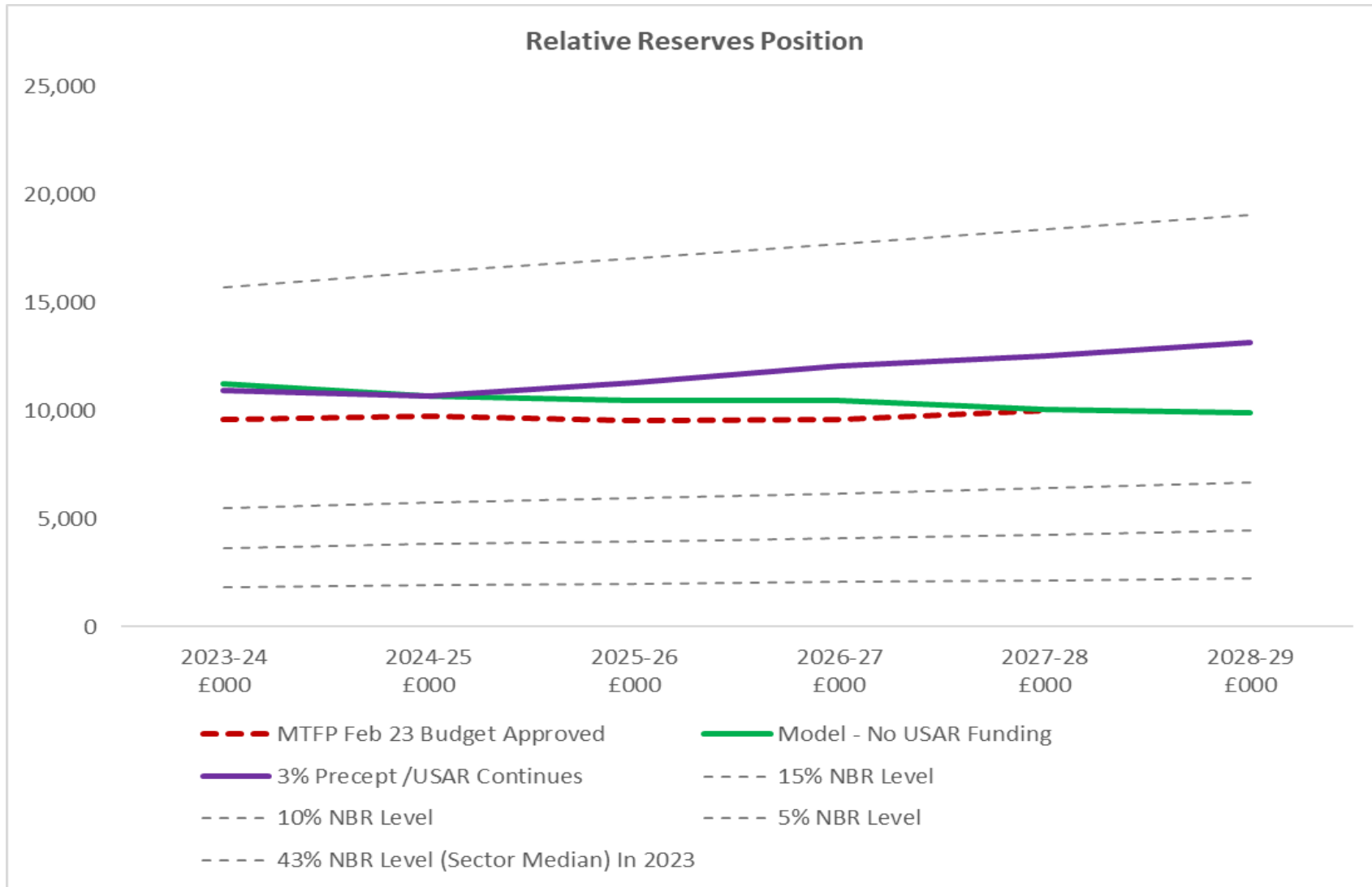
- 2.1. The Revenue support grant will increase in line with the change in the Consumer Price Index (CPI) between September 2022 and September 2023 which is 6.7%. The pension grant will be incorporated into the RSG on a flat cash basis for 2024/25 but will be increased in line with CPI in future years.
- 2.2. With the introduction of the Non-Domestic Rating Act 2023, this has given ministers the power to set the small and standard business rating multipliers separately from one another. Until 2023-24, these two multipliers had to be increased (or frozen) by the same percentage. Local authorities will continue to be compensated the difference between the freeze and the increase expected in line with CPI. The Department for Levelling Up, Housing and Communities (DLUHC) had previously committed to carry out a review of the distribution of formulas and a reset of accumulated business rates growth but have now confirmed that these will not be implemented in this Spending Review period.
- 2.3. The Services grant which is a unringfenced grant will continue to be distributed to all tiers of the government, however it has reduced from £481m to £77m. The distribution methodology will remain the same and the reduction relates to the

government's decision to reallocate funds to other settlement grants and equalisation of the adult social care precept. This grant will be unringfenced with local authorities best placed to understand local priorities. Provisional figures published 18 December 2023 show that Buckinghamshire Fire and Rescue Service will receive £0.033m, which has been reflected in the projections under the heading Services Grant. The longer-term future of this grant remains uncertain so the current assumption is that this grant will remain in place for 2024/24 only.

- 2.4. With these reductions in grants, it results in the service's core spending power increase being less than 3% before any decisions are made on Council Tax. To offset this, the Service will now receive additional funding guarantee grant, which ensures the services' core spending power increases by at least 3%. 31 out of 44 FRAs will receive this funding in 2024-25. This grant has been factored within the settlement funding assessment line.
- 2.5. 2020 Valuation – Firefighters' Pension Scheme (England) - On 21 December 2023 the Government announced that the Government Actuary Department had completed its valuation of Firefighters' Pension Scheme (England) and published the results of the 2020 Valuation. The actuarial report shows that the employer contribution rate will rise to 37.6% of pensionable pay from 1 April 2024 to 31 March 2027. The Treasury have confirmed the increase in cost will be fully funded in 2024/25 with future years allocation still to be confirmed. The costings and funding for this is yet to be published and therefore will be included in the revised appendix 1.
- 2.6. As part of this year's announcement, the Government published headline changes in core spending power between 2023/24 and 2024/25 for every authority. The headline change published for Buckinghamshire Fire and Rescue Service was an increase of 5.0% in cash terms.
- 2.7. This is based on the assumption that the Authority will increase its Band D council tax in 2024/25 by 2.98%.

### **3. Council Tax and Business Rates**

- 3.1. In publicly declaring core spending power figures, the Government has clearly set an expectation that local authorities will continue to increase council tax every year by the maximum amount permissible.
- 3.2. The chart below illustrates the different reserves positions at the end of the MTFP depending on receiving the USAR grant or not beyond 2024/25 (both scenarios assuming council tax is increased by 2.99% every year).



- 3.3. The Council tax was increased by £5 in 2022/23 and 2023/24. For 2024/25, the referendum threshold has reverted back to 3%. The Authority had lobbied with the National Fire Chiefs Council for £5 precept flexibility in 2024/25 to deal with the continuous inflationary pressures being faced by FRA's which was not successful.
- 3.4. The Authority currently sets a band D equivalent precept of £77.16 per annum (approx. £1.48 per week). This is significantly below the national average and one of the lowest precepts of any combined fire authority.
- 3.5. Council tax chargeable for each band should the Authority resolve to increase the band D by 2.98% is shown in Appendix 3.

#### **4. Risk Factors in Budget Assumptions**

- 4.1. The budget proposed for 2024/25 at Appendix 1 has been compiled by looking in detail at current spending and future plans.
- 4.2. This year the budget setting process involved the Executive Members who were provided with the detailed budget and assumptions. The budget setting process was scrutinised by Officers and Members to ensure only proposals which added value for money and in line with the Corporate Plan and Public Safety Plan priorities were approved.
- 4.3. Included within the budget is the increase in revenue contribution to the Thames Valley Fire Control Service (TVFCS) which is a joint control room operated by the three Thames Valley FRS. Buckinghamshire FRS contribution towards the revenue expenditure for the TVFCS has increased by £82k per annum (£1.000m for 2024/25) which has been included in the MTFP.
- 4.4. The Service has previously been notified that the grant funding for the Urban Search and Rescue (USAR) capability hosted at Aylesbury will end on 31 March 2025. This will reduce the amount of fire specific grant funding from 2025/26 onward by a further £817k per annum, meaning no fire specific grant funding will be from 2026/27 onwards. With the support of the local MPs, the Fire Authority will be challenging this decision to reinstate the funding for USAR to ensure this capability beyond 2024/25.
- 4.5. Uncertainty continues to persist regarding the level of inflation that the Service will be subject to over the coming years. Given that almost three-quarters of the budget relates to direct employee costs, pay inflation has a hugely significant impact on the Services budget.
- 4.6. Areas where budgets have changed significantly from previous years have been subject to a series of challenges by Officers and Members. Risks which have been identified are to be covered from the reserves.



- 4.7. The detailed costs and funding are based on the updated budget requirement including the annual uplift assumptions below:

|                               | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| Council tax increase          | 6.94%   | 2.98%   | 2.99%   | 2.99%   | 2.99%   | 2.99%   |
| Council tax base              | 2.15%   | 1.6%    | 1.6%    | 1.6%    | 1.6%    | 1.6%    |
| Settlement Funding Assessment | 10.1%   | 6.7%    | 4%      | 3%      | 2%      | 2%      |

## 5. Capital

- 5.1. The revenue impact of the capital programme has been factored into the base revenue budget requirement. This includes an annual revenue contribution to capital (RCCO), details of which are shown in Appendix 1.
- 5.2. The table at Appendix 2 details the approved capital programme for 2023/24, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2024/25 to give a total capital budget requirement of £2.8m for 2024/25.
- 5.3. The Authority should also take cognisance of the prudential indicators when approving the capital programme (submitted as a separate paper at this meeting).

## 6. Scrutiny and Challenge Process

- 6.1. All budget changes have been determined based on a series of challenge panels held by officers and then Members during the MTFP process.
- 6.2. As part of the scrutiny process, the service has been able reallocate resources and use the additional precept flexibility/funding to invest in the following areas;
- EDI
  - Operational Training
  - Operational Resourcing
  - ICT Training
  - Workwear
  - Marketing and Communications
  - Development of the Learning Management System.

## 7. Adequacy of Reserves

- 7.1. The Reserves Strategy is now incorporated within the Financial Strategy which was approved by the Fire Authority at its meeting on 9 December 2020 (<https://bucksfire.gov.uk/documents/2020/11/item-7c-fire-authority-9-december-2020.pdf/>). Given the significant uncertainty that persists around inflation and other subsequent events that have occurred, the level of the General Fund has been reviewed. The current calculation of the risk assessed amount can be seen in Appendix 4.

7.2. The latest forecast balances and reserves at year-end 2023/24 are:

- General Fund Balance - £1.6m
- Earmarked Reserves - £3.8m\*
- Capital Reserves - £5.5m

\* The earmarked reserves balance excludes the amount held by Oxfordshire County Council relating to the Thames Valley Fire Control Service.

## **8. Statement of the Chief Finance Officer**

8.1. The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Fire Authority's case the Director of Finance and Assets and Chief Finance Officer, must report on:

- The robustness of the estimates made for the purposes of the calculations of the budget and;
- The adequacy of the proposed financial reserves;
- In recommending the budget to the Authority, Members must have regard to this report when making decisions in connection with which it is made.

8.2. Given the level of the General Fund Balance and earmarked reserves available, the prudent approach to the budget setting process for the next financial year and the controls for budget management, it is my conclusion as Chief Finance Officer for the Authority that, subject to approval of recommendation 1(b), there is sufficient capacity in the reserves to cope with the financial risks the Authority faces for 2024/25 and future years and that the methodology applied provides the necessary assurance to the Authority about the robustness of the estimates used in constructing the budget.

## Appendix 1 – MTFP Model

The model below is based on the assumptions detailed in Sections 3 and 4 and all significant budget movements have been subjected to Officer and Member scrutiny as noted in Section 6.1. The statutory deadline for the billing authorities to provide Council Tax and business rates information to the Authority is 31 January 2024. Any changes to these figures will be presented in a revised Appendix 1 at the meeting.

| Directorate                                | 2023/24<br>Approved Budget<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 | 2027/28<br>£000 | 2028/29<br>£000 |
|--|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Base Budget                                | 0                                  | 36,450          | 38,194          | 39,627          | 41,164          | 42,712          |
| Inflation Adjustment                       | 0                                  | 1,021           | 1,622           | 1,239           | 1,284           | 1,328           |
| Corporate Core                             | 1,063                              | -269            | 255             | 245             | 0               | 0               |
| Statutory Accounting                       | 1,459                              | -1,007          | 0               | 0               | 0               | 0               |
| Delivery, Corporate Development & Planning | 24,751                             | 1,802           | 403             | 25              | 25              | 8               |
| Human Resources                            | 540                                | 72              | 0               | 0               | 0               | 0               |
| Finance & Assets                           | 6,767                              | 381             | -120            | -55             | 0               | 0               |
| RCCO                                       | 1,870                              | -256            | -728            | 83              | 238             | 276             |
| <b>Net Budget Requirement</b>              | <b>36,450</b>                      | <b>38,194</b>   | <b>39,627</b>   | <b>41,164</b>   | <b>42,712</b>   | <b>44,324</b>   |
| Settlement Funding Assessment              | -11,338                            | -10,500         | -10,913         | -11,243         | -11,470         | -11,697         |
| Services Grant                             | -199                               | -33             | 0               | 0               | 0               | 0               |
| Council Tax Receipts Surplus/Deficit       | -335                               | -94             | -150            | -150            | -150            | -150            |
| Fire Specific Grants                       | -989                               | -933            | -57             | 0               | 0               | 0               |
| Council Tax Receipts                       | -24,859                            | -26,091         | -27,299         | -28,563         | -29,884         | -31,269         |
| Pension Grant Funding                      | -1,208                             | -1,208          | -1,208          | -1,208          | -1,208          | -1,208          |
| Transfers to/(from) Reserves               | 2,478                              | 665             | 0               | 0               | 0               | 0               |
| <b>Total Funding Available</b>             | <b>-36,450</b>                     | <b>-38,194</b>  | <b>-39,627</b>  | <b>-41,164</b>  | <b>-42,712</b>  | <b>-44,324</b>  |
| Shortfall/(Surplus) for Year               | 0                                  | 0               | 0               | 0               | 0               | 0               |

## Appendix 1a – Reserves Position

| Reserves Position                                      | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 | 2027/28<br>£000 | 2028/29<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Fund Balance                                   | -1,625          | -1,625          | -1,625          | -1,625          | -1,625          | -1,625          |
| Other Earmarked Reserves (excluding Control Room Res.) | -3,798          | -4,463          | -4,463          | -4,463          | -4,463          | -4,463          |
| Earmarked Capital Reserves                             | -5,796          | -4,573          | -4,381          | -4,358          | -3,971          | -3,797          |
| <b>Total</b>   | <b>-11,219</b>  | <b>-10,661</b>  | <b>-10,469</b>  | <b>-10,446</b>  | <b>-10,059</b>  | <b>-9,885</b>   |

## Appendix 2 – Capital Programme

The table below summarises the capital programme from 2023/24 through to 2028/29 and is based on the revenue contribution to capital levels shown in Appendix 1:

| Capital Programme                                 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 | 2027/28<br>£000 | 2028/29<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Property  | 1,139           | 701             | 469             | 407             | 219             | 250             |
| Hydraulic Equipment                               | 65              | 70              | 75              | 80              | 85              | 90              |
| Operational Equipment                             | 90              | 95              | 100             | 105             | 110             | 115             |
| Operational Red Fleet Vehicles (Fire Appliances)  | 750             | 887             | 0               | 311             | 326             | 343             |
| Operational Red Fleet Vehicles (Specials)         | 0               | 440             | 350             | 0               | 760             | 760             |
| Operational White Fleet Vehicles                  | 37              | 0               | 0               | 0               | 0               | 0               |
| BA and Associated Equipment                       | 0               | 90              | 0               | 0               | 0               | 0               |
| ICT   | 156             | 160             | 85              | 90              | 95              | 100             |
| Slippage (Approved July 2022 Executive Committee) | 1,100           |                 |                 |                 |                 |                 |
| In-year Movements                                 | 270             |                 |                 |                 |                 |                 |
| Current Year Slippage Forecast                    | -394            | 394             |                 |                 |                 |                 |
| Forecast Overspend                                | 33              |                 |                 |                 |                 |                 |
| <b>Total Expenditure</b>                          | <b>3,246</b>    | <b>2,837</b>    | <b>1,079</b>    | <b>993</b>      | <b>1,595</b>    | <b>1,658</b>    |
| Funding b/fwd                                     | -3,359          | -5,521          | -4,298          | -4,106          | -4,083          | -3,696          |
| In Year Funding                                   | -5,683          | -1,614          | -887            | -970            | -1,208          | -1,484          |
| <b>Funding (Available)/Deficit</b>                | <b>-5,796</b>   | <b>-4,573</b>   | <b>-4,381</b>   | <b>-4,358</b>   | <b>-3,971</b>   | <b>-3,797</b>   |

Note 1 – Figures highlighted in BLUE are currently only indicative and are not being considered at this stage of the process.

Note 2 – Figures highlighted in GREEN indicate capital bids submitted for this stage of the process.

Note 3 – Figures highlighted in GOLD contain amounts that have been previously approved, plus capital bids submitted for this stage of the process

### Appendix 3 – Council Tax Rates

If the band D equivalent council tax were increased by 2.98% for 2024/25, the following rates would apply to properties in each band:

| Bands | Proportion of Band D Charge | Per Week (£) | Per Month (£) | Per Year (£) |
|-------|-----------------------------|--------------|---------------|--------------|
| A     | 6/9                         | £1.02        | £4.41         | £52.97       |
| B     | 7/9                         | £1.19        | £5.15         | £61.80       |
| C     | 8/9                         | £1.35        | £5.89         | £70.63       |
| D     | 9/9                         | £1.52        | £6.62         | £79.46       |
| E     | 11/9                        | £1.86        | £8.09         | £97.12       |
| F     | 13/9                        | £2.20        | £9.57         | £114.78      |
| G     | 15/9                        | £2.54        | £11.04        | £132.43      |
| H     | 18/9                        | £3.05        | £13.24        | £158.92      |

This would represent an annual increase of £1.53 per annum on a band A, £2.30 per annum on a band D and £4.60 per annum on a band H property.

The following table shows the increase in each band (rounded to the nearest pence).

| Bands | Per Week (£) | Per Month (£) | Per Year (£) |
|-------|--------------|---------------|--------------|
| A     | 0.03         | 0.12          | 1.53         |
| B     | 0.04         | 0.15          | 1.79         |
| C     | 0.03         | 0.17          | 2.04         |
| D     | 0.04         | 0.19          | 2.30         |
| E     | 0.05         | 0.23          | 2.81         |
| F     | 0.06         | 0.28          | 3.33         |
| G     | 0.07         | 0.32          | 3.83         |
| H     | 0.09         | 0.38          | 4.60         |

## Appendix 4 – Risk Assessment of the Adequacy of General Reserves

The table below shows the calculation of the amount required to be held in the General Fund:

| Budget Assumptions   | Financial standing and management assessment/impact   | Comments   | Amount Required<br>£000 |
|--|---|--|-------------------------|
| The treatment of inflation and interest rates                  | The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc.). Rises in the prices of some commodities, e.g. fuel, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income. | Significant uncertainty persists regarding the level of inflation (both pay and non-pay). Amount required to be held in general reserve estimated as circa 2% of net budget requirement                                    | 765                     |
| Estimates of the level and timing of capital receipts          | The authority's track record in budget and financial management including the robustness of the medium-term plans. Authorities will also need to take into account changes in the property market and adjust estimates and assumptions for reserves accordingly.  | This amount is based on 10% of the average capital receipts received in the previous 3 years.  | 120                     |
| The treatment of demand led pressures                          | The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.   | An amount has been set aside to help fund any recommendations that may come from the Grenfell Tower inquiry or the McCloud/Sargeant judgement.   | 100                     |
| The treatment of planned efficiency savings/productivity gains | The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.  | A key future efficiency within the Medium-Term Financial Plan is the property saving associated with consolidating the current property portfolio. This is the amount required if planned savings are delayed by one year. | 165                     |

| <b>Budget Assumptions</b>  | <b>Financial standing and management assessment/impact</b>   | <b>Comments</b>  | <b>Amount Required<br/>£000</b> |
|--|--|--|---------------------------------|
| The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments | The authority's virement and end of year procedures in relation to budget under/overspends at authority and department/directorate level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements. | This amount is based on circa 15% of the total estimated expenditure on the capital programme for 2024/25. There is a specific risk in relation to vehicles and potential increases in import tariffs. | 425                             |
| The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions        | The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.  | The insurance excess is set at £5,000 for the majority of claims. There is a risk that there may be a large number of high value claims. This value assumes ten claims over £5,000 in any one year.    | 50                              |
| <b>Total Required</b>  |  |  | <b>1,625</b>                    |