

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/24/3</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>16 FEBRUARY 2024 (Budget Meeting)</b>
<b>SUBJECT OF REPORT</b>	<b>2024-25 REVENUE BUDGET AND COUNCIL TAX LEVELS</b>
<b>LEAD OFFICER</b>	<b>Director of Finance and Corporate Services (Treasurer) and Chief Fire Officer</b>
<b>RECOMMENDATIONS</b>	<p><b>(a). <i>that, as recommended by the Resources Committee (Budget) meeting on 5 February 2024, the level of Council Tax in 2024-25 for Band D property be set at £99.68, as outlined in Option B of this report, representing a 2.99% increase over 2023-24, and that accordingly a Net Revenue Budget Requirement for 2024-25 of £92,622,400 be approved;</i></b></p> <p><b>(b). <i>that, as a consequence of the decisions at (a) above:</i></b></p> <p><b>(i) <i>the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £63,492,754 (as detailed on Page 2 (option B) of the respective budget booklet, be approved;</i></b></p> <p><b>(ii) <i>the council tax for each property bands A to H associated with the total precept as detailed in the respective budget booklet, be approved; and</i></b></p> <p><b>(iii) <i>that the Treasurer’s ‘Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances’, as set out at Appendix B to this report, be endorsed.</i></b></p> <p><b>(c). <i>that, as the budget is subject to variations in the pay for operational staff, negotiations for which are still on-going for the 2024-25 award:</i></b></p> <p><b>(i). <i>the Treasurer be delegated authority to balance the budget from reserves in the event that the final pay award settlements for 2024-25 exceed the budgeted amounts for those years (5%) subject to a maximum of £3m;</i></b></p> <p><b>(ii). <i>that the Treasurer endeavours to meet any pay award from within the approved budget for 2024-25 but any use of reserves so required be reported for information to the next appropriate meeting of the Resources Committee.</i></b></p>

<p><b>EXECUTIVE SUMMARY</b></p>	<p>It is a legislative requirement that the Authority sets a level of revenue budget and Council Tax for the forthcoming financial year by the 11 March each year. The Secretary of State has announced that the Council Tax threshold to be applied in 2024-25 that would trigger a requirement to hold a Council Tax referendum is to be 2.99%. This report considers potential options A and B below for Council Tax in 2024-25:</p> <p style="padding-left: 40px;">OPTION A – Freeze Council Tax at 2023-24 level (<b>£96.79 for a Band D Property</b>).</p> <p style="padding-left: 40px;">OPTION B – Increase Council Tax by maximum permitted of 2.99% above 2023-24 (<b>£99.68 for Band D Property</b>).</p> <p>These options were initially considered by the Resources Committee as its budget meeting on 5 February 2024. The Committee resolved to recommend that the Authority approve Option B.</p>
<p><b>RESOURCE IMPLICATIONS</b></p>	<p>As indicated in the report</p>
<p><b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b></p>	<p>Not applicable.</p>
<p><b>APPENDICES</b></p>	<p>A. Core Net Revenue Budget Requirement 2024-25.</p> <p>B. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.</p> <p>C. Budget Book Option A</p> <p>D. Budget Book Option B</p>
<p><b>LIST OF BACKGROUND PAPERS</b></p>	<p>Nil.</p>

## **1. FOREWORD AND INTRODUCTION**

- 1.1. The draft budget for 2024-25 provides an opportunity to support reform of Devon and Somerset Fire and Rescue Service (the Service) now and in the future. During December 2023 a number of significant changes to the Service Delivery operating model were presented to the Authority on how the Service can reduce costs by amending how it delivers the core functions.
- 1.2. It is a legislative requirement that the Devon & Somerset Fire & Rescue Authority (the Authority) sets a level of revenue budget and Council Tax for the forthcoming financial year, before 11 March, in order that it can inform each of the eleven Council Tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2024-25. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels of precept for the Authority.
- 1.3. The 2024-25 budget is balanced subject to pay negotiations for the operational and professional staff. Should the agreed award be greater than the budgeted amount, it is recommended the Treasurer has delegated authority to determine which reserves the increases will be funded from which will be reported back to the next available Resources Committee meeting of those actions. This is with the caveat that all efforts should be made to accommodate the pay-award within the existing revenue budget and the delegation is capped at £3m. For reference, each 1% pay award is in the region of £1m additional cost to the Authority.
- 1.4. The Localism Act 2011 includes provisions which require a local authority to hold a Council Tax referendum where an authority's Council Tax increase exceeds the Council Tax "excessiveness principles" applied for that year.
- 1.5. On 18 December 2023, the Department for Levelling Up, Housing and Communities (DLUCH) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2024-25. Despite requests from the sector to extend the option to increase by up to £5 again for 2024/25, the limit was set at a 2.99% increase. If exceeded, this would trigger the need to hold a referendum. Given that the administration costs associated with holding a local referendum for the Service for one year are estimated to be in excess of £2.3m, this report does not include any proposals to go beyond the referendum limit.

## **2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2024-25**

- 2.1. The provisional Local Government Finance Settlement for 2024-25 was announced on 18 December 2023, which provided local authorities with individual settlement funding assessment figures for one year only. A subsequent announcement of further additional grant funding was released on 24 January 2024 which was confirmed on the 5 February 2024.

- 2.2. Table 1 overleaf provides details of the Settlement Funding Assessment (SFA) for this Authority which indicates an increase in 2024-25 of 21.09% over 2023-24 with an overall reduction of 0.27% since 2015-16. However, since 2019-20, the Service have received a separate grant of £3.9m to cover the majority of the increase in the employer's pension contributions following an actuarial review by the Government Actuarial Department (GAD). This grant has now been *rolled-up* within the Revenue Support Grant and thus has increased the SFA by that amount:

<b>TABLE 1 – SETTLEMENT FUNDING ASSESSMENT (SFA)</b>			
	<b>SFA</b>	<b>SFA (Reduction)/Increase</b>	
	<b>£m</b>	<b>£m</b>	<b>%</b>
2015-16	29.413		
2016-17	26.873	-2.540	-8.64%
2017-18	23.883	-2.990	-11.13%
2018-19	22.618	-1.265	-5.30%
2019-20	21.961	-0.657	-2.91%
2020-21	22.319	0.358	1.63%
2021-22	22.354	0.035	0.16%
2022-23	22.551	0.197	0.88%
2023-24	23.819	1.268	5.62%
2024-25	28.843	5.024	21.09%
<b>Reduction over 2015-16</b>		<b>-0.064</b>	<b>-0.27%</b>

- 2.3. In addition to the settlement figures reported in Table 1 above, the Authority has been awarded a share of a Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The award is £0.575m for 2024-25.
- 2.4. There are other Section 31 grant funds, allocated to reduce the impact of the increase in social costs of £0.111m which is included within the revenue budget as income.
- 2.5. A Funding Guarantee Grant, provided to ensure the Settlement Funding Assessment is increased by 4% (it was 3% within the provisional announcement) before any Council Tax rises, has also been awarded of £1.752m. This grant has increased by £0.797m (was £0.955m) following the additional funding announcement made on the 24 January 2024.

### 3. **COUNCIL TAX AND BUDGET REQUIREMENT 2024-25**

#### ***Council Tax***

- 3.1. It is, of course, an Authority decision to set a level of Council Tax that is appropriate to its funding position. For 2024-25, this report considers two options A and B as below:
- **OPTION A** – Freeze Council Tax at 2023-24 level (£96.79 for a Band D Property);
  - **OPTION B** – Increase Council Tax by 2.99% above 2023-24 - an increase of just over 24p a month, to £99.68 for a Band D Property.
- 3.2. The Authority could decide to set any alternative level below 2.99%. Each 1% increase in Council Tax represents an 97p a year increase for a Band D property and is equivalent to a £0.613m variation on the revenue budget. In relation to the referendum option, it is the Treasurer’s view that given the costs of holding a referendum (circa £2.3m), it is not a viable option for the Authority to consider a Council Tax increase in excess of the 2.99% threshold.

**TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – FUNDING 2024-25**

	OPTION A	OPTION B
	Council Tax Freeze at £96.79	Council Tax Increase of 2.99% to £99.68
	£m	£m
<b>TOTAL FUNDING 2023-24</b>	<b>85.413</b>	<b>85.413</b>
Increase in Formula Funding	4.841	4.841
Increase in Retained Business Rates from Business Rate Retention System*	(0.119)	(0.119)
<u>Changes in Council Tax Precept</u>		
- Increase in Council Tax Base	0.854	0.854
- resulting from an increase in Council Tax	-	1.841
- Increase (reduction) in Share of Billing Authorities Council Tax Collection Funds	(0.206)	(0.206)
<b>TOTAL FUNDING AVAILABLE 2024-25</b>	<b>90.781</b>	<b>92.622</b>
<b>NET CHANGE IN FUNDING</b>	<b>5.368</b>	<b>7.209</b>

#### ***Council Tax Base***

- 3.3. The total increase in government funding through the revenue support grant of £4.841m is positive. When the pension grant is removed, the net increase is £0.937m which is above inflation, at 12.8%. The Service has seen an increase in the Council Tax base of just over 1.4%. The Authority’s share of Council Tax collection fund surplus has reduced from £1.062m in 2023-24 to £0.856m for the new year – a reduction of £0.206m

### **Retained Business Rates**

- 3.4. The funding available from business rates is in-line with expectations and is comparable to the previous year (2023-24).

### **Net Budget Requirement**

- 3.5. Table 3 below provides a summary of the Core Budget Requirement for 2024-25. A breakdown of the more detailed items included in this draft budget is included in Appendix A of this report.

**TABLE 3 – SUMMARY OF REVENUE BUDGET REQUIREMENT 2024-25**

	£m	£m
<b>Net Revenue Budget 2023-24</b>		<b>85.413</b>
PLUS Provision for pay and price increases (Pay award assumed 5%)	4.829	
PLUS Inescapable Commitments	0.219	
Reduction in funding from reserves	2.682	
One Off Investment - e.g. NFSP system replacement and EV charge points	0.895	
Recurring investment - e.g. increase to maternity pay	0.164	
Revenue Contribution to Capital Expenditure	0.669	
PLUS New Investment	1.117	
PLUS increase in income and budget savings	(3.366)	
<b>INCREASE in budget requirement over 2023-24</b>		<b>7.209</b>
<b>Core spending requirement 2024-25</b>		<b>92.622</b>

- 3.6. As reduced funding will be available for the coming financial year and there will likely be further restrictions in coming years, officers have restricted requests for investment opportunities to only business critical initiatives.

### **Balancing the budget**

- 3.7. As is indicated in Table 3, the Revenue Budget Requirement for 2024-25 has been assessed as £92.622m. This is more than the amount of funding available under Option A and therefore cuts or additional funding needs to be identified in order that a balanced budget can be set.

**TABLE 4 – PROPOSALS TO BALANCE THE BUDGET 2024-25**

<b>PROPOSALS TO BALANCE THE REVENUE BUDGET</b>	<b>OPTION A £m</b>	<b>OPTION B £m</b>
Funding Available	90.781	92.622
LESS Net spending requirement 2024-25	92.622	92.622
<b>Shortfall</b>	<b>(1.841)</b>	<b>(0.000)</b>
Revenue Contribution to Capital – Reducing the budget for Revenue contribution to capital is considered within the context of the MTFP and Capital Affordability	0.669	0.000
Transfer from Reserves – in order to balance the budget.	1.172	0.000
<b>Total</b>	<b>(0.000)</b>	<b>(0.000)</b>

- 3.8. Whilst the Service is confident that the budget can be balanced if Council Tax is increased in line with Option B, there will be a budget shortfall of £1.841m in the coming year if it is frozen. Should Council Tax be frozen, the Authority would remove the contribution to capital expenditure (£0.669m) and then utilise its capital reserve to fund the gap in the short term while a plan to implement greater spending reductions across all areas of the Service is developed.

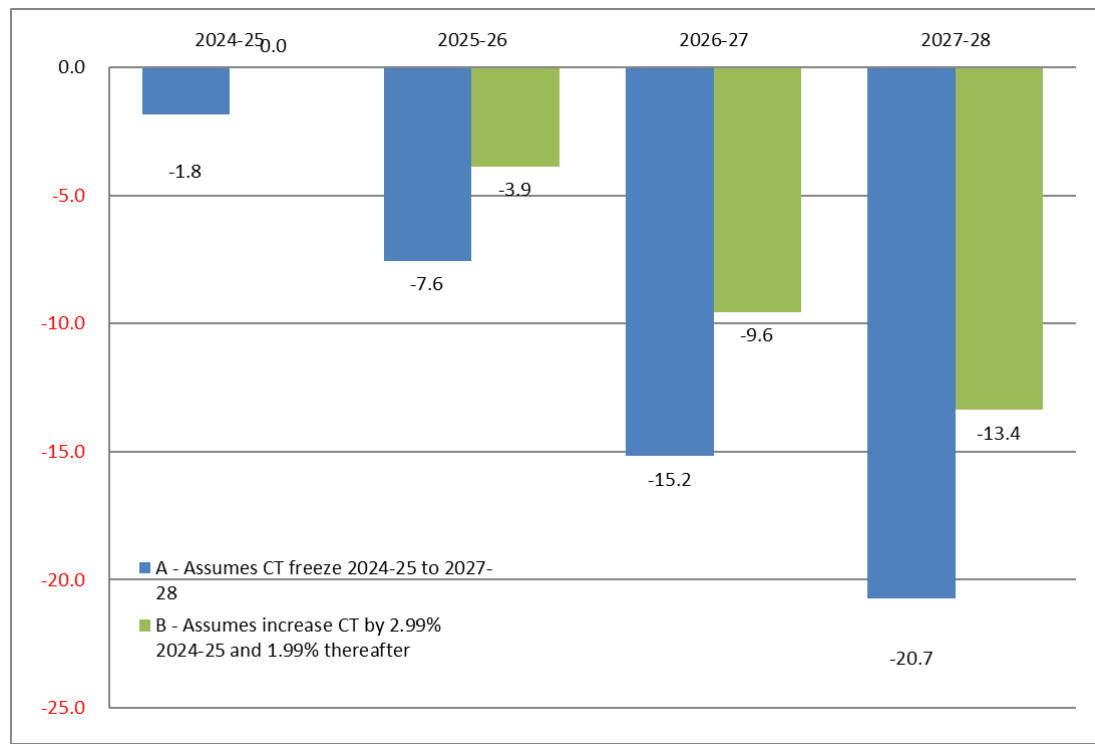
3.9. There is significant risk attached to Option A, as this proposal will draw down against the capital funding reserve, meaning it will not be available to meet the future capital programme and the scale of efficiencies required would likely see reductions made to front line services.

**4. MEDIUM TERM FINANCIAL PLAN**

4.1. Given that the 2024-25 final Local Government Settlement is a one-year settlement, the future funding position is less certain. The approach taken to developing the plans and underlying assumptions are outlined in the MTFP document, which is elsewhere on the agenda.

4.2. The MTFP financial modelling tool has assessed a likely ‘base case’ scenario in terms of savings required over the period 2024-25 to 2027-28. Chart 1 provides an analysis of those forecast savings required in each year.

**CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2024 TO 2028 (BASE CASE) - £MILLIONS**



4.3. Chart 1 illustrates that further savings will be required beyond 2024-25 to plan for a balanced budget over the next three years to 2027-28. Should the Authority decide to freeze Council Tax in 2024-25 (Option A) and the following three years, then the MTFP forecasts that total savings of up to £20.7m need to be planned for.

- 4.4. For year 2025-26, the delayed legislation that will provide Councils the option to charge a 100% council tax premium on second homes becomes live. The estimated additional income resulting from this change has been factored into our forecasts. For 2025-26 we estimate this to be £1.4m, which represents 80% of the homes currently classed as 'second homes.'

#### ***Authority Plan 2024 onwards***

- 4.5. This budget report proposes a balanced budget for the next financial year 2024-25 including proposals as to how budget savings can be achieved.
- 4.6. Looking beyond 2024-25 the Authority needs to plan for the delivery of further recurring savings to ensure that balanced budgets can be set in each year of the Spending Review period. It is also evident, given the need for on-going capital investment, that all efforts must be made towards continuing to make revenue contributions to the capital reserve. This budget represents a formal resumption in this contribution, (albeit not to historical levels), which was temporarily paused which is a significant achievement. But sustaining the capital programme (without the need to borrow or securing external grants) can only be done through sustained fiscal prudence and spending restraint. The MTFP (above) models a resumption to £2.050m in 2025-26 and while ambitious, it is the view of the Treasurer that this is achievable.
- 4.7. The strategic approach to deliver the required savings is well underway and is outlined within the Services Targeted Operating Model. Spending reductions totalling £1.8m which were considered by the Authority in December 2023 are reflected within this budget (i.e. 2024-25) and represent the first tranche of what will be an on-going programme of transformation.

### **5. PRECEPT CONSULTATION 2024-25**

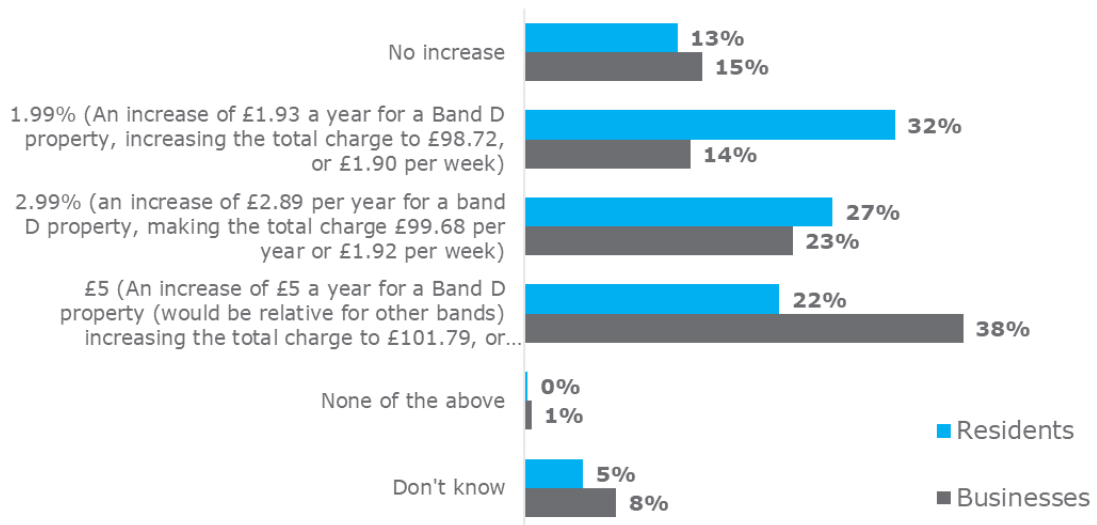
- 5.1. Section 65 of the Local Government Finance Act (1992) requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure.
- 5.2. In addition to the statutory requirement, members of the public have in previous years also been consulted as it was deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty.
- 5.3. The consultation process ran throughout October and November 2023 and involved:  
A telephone survey of 400 business and 400 residents.

#### ***Results from the Telephone Survey***

- 5.4. 64% of businesses agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2024-25, while 16% disagreed that it is reasonable for them to do so, resulting in a net agreement of +48%.
- 5.5. 74% of residents agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2024-25, while 13% disagreed, giving a net agreement of +61%.



**Chart 2: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2024-25)**

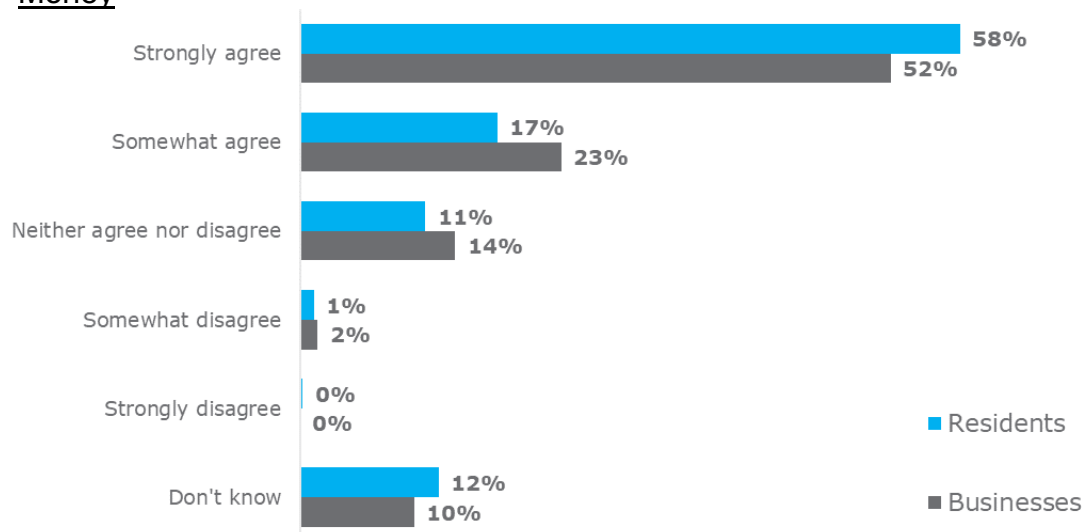


5.6. Of those respondents who agreed that a Council Tax increase would be reasonable 61% of businesses and 49% residents would support an increase of 2.99% or above.

### Providing Value for Money

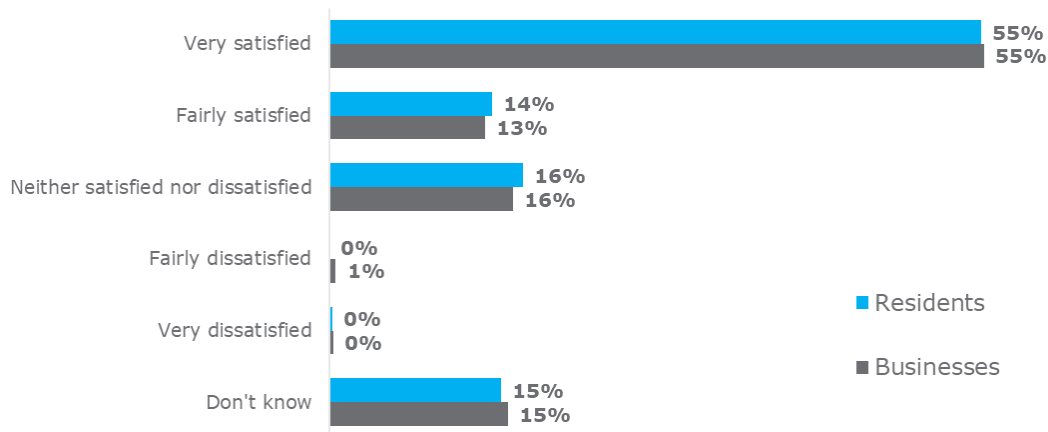
5.7. The consultation asked the responder if they felt the Fire Service provided value for money. The results in Chart 3 indicate 52% of businesses and 58% of residents strongly agreed.

**Chart 3: Question; Results of agreement whether the Service provides Value for Money**



- 5.8. The responses indicate that the public are either very satisfied or fairly satisfied with the satisfaction on the service that is provided. 68% of businesses and 69% of residents felt this way.

**Chart 4: Satisfaction with the service provided by DSFRS**



### ***Survey Conclusion***

- 5.9. The results of the consultation indicate that the majority of respondents feel it would be reasonable for the Authority to consider increasing its precept for 2024-25. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of an increase of 1.99% or above.
- 5.10. Both businesses and residents agree that the Service provides value for money and were satisfied with the service provided.

## **6. STATEMENT ON ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE LEVELS OF RESERVES AND BALANCES**

- 6.1. It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions. This statement is included as Appendix B to this report.

## **7. SUMMARY**

- 7.1. The Authority is required to set its level of revenue budget and Council Tax for 2024-25 by 11 March so that it can meet its statutory obligation to advise each of the eleven billing authorities in Devon and Somerset of the required level of precept. This report provides Members with the necessary background information to assist them in making decisions as to the appropriate levels for the Authority.

- 7.2. The report considers two potential options A and B and invites the Authority to approve the recommendation made by the Resources Committee at its budget meeting held on 5 February 2024.

**SHAYNE SCOTT**

**Director of Finance and Corporate Services (Treasurer)**

## APPENDIX A TO REPORT DSFRA/24/3

DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY SUMMARY MEDIUM TERM FINANCIAL STRATEGY PROJECTIONS 2024					
	Row Number	£'000	2024/25 £000	%	
<b>Approved Budget 2023-24</b>			<b>85,413</b>		
<b><u>Provision for pay and prices increase</u></b>					
Grey Book Pay Award (assume 5% from July 2024)	1,2,3	3,163			
Green Book Pay Award (Assume 5% April 24)	4	659			
Prices increases (assumed 2.0% CPI from April 2024)	All non-pay	883			
Pensions inflationary increase (tracks CPI - 3.2%)	6	124			
			4,829	5.7%	
<b><u>Funding Adjustments</u></b>					
Revenue Contribution to Capital	26	669			
Reduction in transfers from Reserves	32	2,682			
			3,351		
<b><u>Inescapable Commitments</u></b>					
Support Staff Increments	4	187			
NFSP Control Future project		750			
Maternity pay extension		164			
Conversion of Grey to Green book posts and reduction in vacancy margin		418			
EV Charging Infrastructure		145			
IFRS16 Fleet leases reducing service costs		-515			
IFRS16 Fleet leases increasing MRP & interest		515			
IFRS16 Estates leases reducing service costs		-100			
IFRS16 Estates leases increasing MRP & interest		100			
Pensions - anticipate reduced Ill Health/ Injury leavers	6	32			
			1,696		
<b><u>New Investment</u></b>					
On Call Pension increases (change in rate)	2	699			
			699		
<b><u>Income</u></b>					
Reduction in Firelink grant		362			
Section 31 grants	29	-1,695			
Increase in investment interest		-675			
Red One Income		2			
			-2,006		
<b><u>Anticipated savings</u></b>					
Operational staff including control		-350			
Across Service spending reductions		-1,010			
			-1,360		
<b>CORE BUDGET REQUIREMENT</b>			<b>92,621.6</b>		

## APPENDIX B TO REPORT DSFRA/24/3

### **STATEMENT OF THE ROBUSTNESS OF THE BUDGET ESTIMATES AND THE ADEQUACY OF THE DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY LEVELS OF RESERVES**

It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions.

#### **THE ROBUSTNESS OF THE 2024-25 BUDGET**

The net revenue budget requirement for 2024-25 has been assessed as £92.622m (Option B in report). In arriving at this figure a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the authority as included in the Community Risk Management Plan. It should be emphasised that these assessments are being made for a period up to the 31 March 2025, in which time external factors, which are outside of the control of the Authority, may arise which will cause additional expenditure to be incurred. The most significant example of this is the potential pay awards for colleagues which are yet to be agreed. The majority of On-Call pay costs are dependent on the number of call outs during the year, which can be subject to volatility dependent on spate weather conditions. Other budgets, such as fuel and energy are affected by market forces that often lead to fluctuations in price that are difficult to predict. Details of those budget heads that are most at risk from these uncertainties are included in Table 1 overleaf, along with details of the action taken to mitigate each of these identified risks.

Local government and the fire sector are entering a period of significant uncertainty over funding and cost pressures such as pay awards, going forward. Unfunded pension schemes and legal challenges over pension terms represent a significant risk to the Authority. It is therefore vitally important that resourcing and investment decisions are made which minimise risks going forward to enable the Authority to be as resilient as possible in future years.

Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium-Term Financial Plan (MTFP) provides forecasts to be made of indicative budget requirements over a five year period covering the years 2024-25 to 2028-29. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.

**TABLE 1 – BUDGET SETTING 2024-25 ASSESSMENT OF BUDGET HEADINGS MOST SUBJECT TO CHANGE**

Budget Head	Budget Provision 2024-25 £m	RISK AND IMPACT	MITIGATION
Service Delivery staff costs	67.8	There is a high level of uncertainty around pay increases, particularly whether pay awards will be linked to a change to the Firefighter role map to include emergency medical response. Each 1% pay award is equivalent to £0.590m of additional pressure on the revenue budget.	Funding decisions for this model will need to be considered for future years.
Fire-fighter's Pensions	2.6	Whilst net pension costs funded by the government through a top-up grant arrangement, the Authority is still required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme.	In establishing a Pensions Reserve an allowance has been made for a potential overspend on this budget
Insurance Costs	1.0	The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. The costs of these claims are to be met from the revenue budget. The number of claims in any one-year can be very difficult to predict, and therefore there is a risk of the budget being insufficient. In addition some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority.	General Reserve
Fuel Costs	0.7	This budget has increased to take into account the rising cost of fuel. The Service is investing in new ways of working associated with the environmental strategy so have introduced electric vehicles during 2023-24 with more on order for 2024-25.	General Reserve
Treasury Management Income	(1.2)	As a result of the uncertainty, bank base rates have increased to the highest levels since 2008. This has resulted in an increase in investment returns. This has resulted in an increase in the budget of £0.675m. The markets are anticipating a interest rate reduction during Q3 2024 so rates will start to reduce in year.	The target income has been set at a level consistent with the returns achieved during 2023. Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible.
Income	(0.8)	Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.8m of external income. Due to economic uncertainty this budget line may be at risk.	Budget monitoring processes will identify any potential shortfall and management informed so as any remedial action can be introduced as soon as possible. A modest provision for doubtful debts is available to protect the Authority from potential losses.
Capital Programme	7.2	Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces.	Capital projects are subject to risk management processes that quantify risks and identify appropriate management action. Any changes to the spending profile of any capital projects will be subject to Committee approval in line with the Authority Financial Regulations.

## **THE ADEQUACY OF THE LEVEL OF RESERVES**

Total Reserve balances for the Authority as at April 2023 was £27.0m made up of Earmarked Reserves (committed) of £22.8m, and General Reserve (uncommitted) of £4.28m. This will decrease by the end of the financial year as a result of planned expenditure against those reserves during the year. A General Reserve balance of £4.1m is equivalent to 5.0% of the total revenue budget for 2023-24 or 18 days of Authority spending, the figure is subject to a risk assessment annually.

The Authority has adopted an “in principle” strategy to maintain the level of reserves at a minimum of 5% of the revenue budget for any given year, with the absolute minimum level of reserves only being breached in exceptional circumstances, as determined by risk assessment. This does not mean that the Authority should not aspire to have more robust reserve balances based upon changing circumstances, but that if the balance drops below 5% (as a consequence of the need to utilise reserves) then it should immediately consider methods to replenish the balance back to a 5% level.

The Authority used an element of the general reserve during 2021-22 however, the pleasing note is there was no requirement to call on them for 2022-23 or 2023-24 to fund emergency spending. The strategy remains to increase the general reserve to ensure the 5% level is maintained as a minimum. The importance of holding adequate levels of general reserves has been highlighted on a number of occasions in recent times, the impact of the pandemic and the problems experienced by the global financial markets are just two examples of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning.

The Authority’s Reserves Strategy is reviewed annually and is available on the website [www.dsfire.gov.uk](http://www.dsfire.gov.uk).

## **CONCLUSION**

It is considered that the budget proposed for 2024-25 represents a sound and achievable financial plan and will not increase the Authority’s risk exposure to an unacceptable level. The estimated level of reserves is judged to be adequate to meet all reasonable forecasts of future liabilities.

**Shayne Scott**  
**Director of Finance and Corporate Services (Treasurer)**