



NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY RESERVES STRATEGY (REVISED JANUARY 2026)

1. Reserves Strategy

- 1.1. Reserves are a key part of medium-term financial planning with other components including revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. Decisions on these are inter-linked. Consequently, some organisations will need to maintain reserves at higher levels than others.
- 1.2. All publicly funded organisations should have a reserves strategy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.
- 1.3. The PFCC maintains reserves to provide a measure of protection against risk. Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).
- 1.4. The term "reserves" has a variety of technical and everyday meanings, depending on the context in which it is used. In this strategy, it is taken to mean funds set-aside at the PFCC's discretion for general or specific future purposes.
- 1.5. Reserves are required to protect and enhance the financial viability and in particular:
 - To maintain a degree of in-year financial flexibility.
 - To enable the PFCC to deal with unforeseen circumstances and incidents.
 - To set aside monies to fund major developments in future years.
 - To enable the PFCC to invest to transform and achieve improved service effectiveness and efficiency.
 - To set aside sums for known and potential liabilities.
 - To provide an operational contingency at service level.
- 1.6. Reserves should not be held to fund ongoing revenue expenditure as this is unsustainable in the long term. However, they may be important in smoothing a major financial imbalance (revenue or capital) over a longer timescale. CIPFA Bulletin 13 – Local Authority Reserves and Balances (Updated) published March 2023 states:

“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term.”

- 1.7. The Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) was established on the 1st January 2019 with no transfer of reserves agreed as part of the business case. As such, a three year financial stability period was set to establish a more stable budget position, supported by a sufficient level of reserves.
- 1.8. Since 2019, tight financial planning, together with assistance from the Home Office enabled a sufficient level of reserves to be built up. However, work on the budget and Medium-Term Financial Plan has identified that the financial risks from inflation and other pressures are still forecast to be higher than funding available to the service. Despite annual efficiency targets, funding deficits are identified in future years.
- 1.9. The reserves strategy assumes that the Medium-Term Financial Plan (MTFP) is broadly balanced on a sustainable basis across the five year planning period. If the financial impact of current economic conditions continues to impact on tax base and council tax levels over the medium term, then this could impact on those assumptions.
- 1.10. This is recognised as a risk as when taking into account the projected shortfalls on the MTFP where savings will need to be achieved to facilitate balancing budgets in future years. If savings cannot bridge the full gap, based on current estimates, as a worst case scenario, revenue reserves can balance the gap over the five year MTFP to some extent, but this would exhaust available reserves and would impact funding available for investment.
- 1.11. NCFRA have a significant Capital programme requirement. This is continually reviewed to ensure it is both operationally deliverable and affordable.
- 1.12. Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the planning period, weighted for their probability.

2. National Guidance and Compliance with Home Office Guidance on Reserves

- 2.1. The CIPFA Bulletin includes guidance on the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken into account locally in making an assessment of the appropriate level of reserves and balances to be held.
- 2.2. There is information that each PFCC must publish in terms of police reserves. This guidance has also been adopted for NCFRA to ensure consistency across PFCC governed Fire and Police services in Northamptonshire. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
 - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
 - Funding for specific projects and programmes beyond the current planning period.

- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.

2.3. This information is summarised across the Home Office headings as at 31/3/26 as follows:

Reserve	Forecast Balance as at 31 March 2026 £m	Funding for planned expenditure on projects and programmes over the MTFP (26/27-30/31) £m	Total Forecast Revenue and Capital Reserves as at 31 March 2031 £m	Funding for specific projects and programmes beyond the current planning period £m	As a general contingency to meet other expenditure needs £m
General	2.000		2.180		2.180
Earmarked Revenue:					
Insurance	0.250		0.250		0.250
Operational Equipment	0.096	0.355	0.451	(0.201)	0.250
Smoothing	0.033	0.420	0.453		0.453
Transformation	0.603	(0.137)	0.466	(0.466)	0.000
Total Earmarked	0.982	0.638	1.620	(0.667)	0.953
Total Revenue	2.982	0.638	3.800	(0.667)	3.133
Capital:					
Capital Receipts	1.607	(1.607)	0.000		0.000
Capital and ESN Reserve	0.314	(0.314)	0.000		0.000
S106 Developer Contributions	0.000		0.000		0.000
Capital Grants Unapplied	0.418	(0.418)	0.000		0.000
Total Capital	2.339	(2.339)	0.000	0.000	0.000
Total Reserves	5.321	(1.701)	3.800	(0.667)	3.133

Note: numbers may not sum due to rounding

3. General Reserve

- 3.1. In order to assess the adequacy of the unallocated general reserve when setting the budget, the PFCC, on the advice of the Chief Finance Officer, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.
- 3.2. Whilst there is no prescribed level of reserves that PFCCs should hold; it is influenced by individual discretion, local circumstances, advice from external auditors, risk management arrangements and risk appetite. CIPFA guidance specifically cautions against prescriptive national guidance for a minimum or maximum level of reserves and states:

“The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or

as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority.”

- 3.3. However, the minimum level of reserves may be set for the authority by the Ministers in England and Wales where an authority does not act prudently, disregards the advice of its chief finance officer or is heading for financial difficulties.
- 3.4. CIPFA indicate a minimum general reserve level is typically between 2% and 3% of net budget requirement.
- 3.5. Despite progress in building reserves, NCFRA still has one of the lowest level of reserves per core spending power across all Fire and Rescue Authorities in England and Wales.
- 3.6. The PFCC has considered the reserves strategy and wishes to hold a sufficient but not excessive level of reserves. In determining this position, Annexe 1 outlines how the PFCC complies with the 7 key CIPFA principles which can be used to assess the adequacy of reserves.
- 3.7. NCFRA have also considered the following factors:
 - NCFRA are required to meet costs up to a certain threshold for any claims for extraordinary funding to cover large-scale unplanned events.
 - NCFRA was established without the transfer of any reserves.
 - Local funding accounts for some 80% of NCFRA’s funding streams, which can be affected by local taxpayers and business’ ability to pay and are subject to volatility.
 - The general reserve also holds the financial risk of any potential industrial action requirements should they arise.
- 3.8. Given the above, it remains prudent to hold reserves at a reasonable level to provide a realistic and comfortable buffer to meet any eventualities, and to mitigate against any unplanned in-year changes being required.
- 3.9. The Chief Finance Officer advises that it would be prudent to maintain a sustainable and resilient level of general reserves at £2.0m or 5% of revenue budget (whichever is the higher).
- 3.10. At present, there are no plans to use the general reserve during the period of the MTFP or longer term. An annual revenue budget contribution of £60k has been included across the MTFP to ensure funds are above 5% of revenue expenditure in each year as follows:

Year	£m	% of Budget
2026/27	2.000	5.2%
2027/28	2.000	5.1%
2028/29	2.060	5.0%
2029/30	2.120	5.0%
2030/31	2.180	5.0%

4. Earmarked Reserves

- 4.1. In addition to the general reserve, the PFCC holds a number of reserves which are earmarked for specific purposes.

4.2. At the 31/3/2026, it is estimated that the PFCC will hold £5.321m for Fire in earmarked reserves. The predicted position for each earmarked reserve as at 31/3/2026, together with further details is in Annexe 2 and 3.

4.3. The purposes of each earmarked reserve are as follows:

- **Insurance** – To set funds aside where considered prudent for civil claims (Public and Employer liability) in line with professional advice.
- **Operational Equipment** – Given the age and condition of equipment transferred as part of the governance transfer, an annual operational equipment reserve contribution was established to smooth the impact and mitigate the costs of essential operational equipment replacement.
- **Carry Forwards** – To ringfence previous years' underspends for specific purposes in the medium term.
- **Smoothing** – To enable any savings generated to be earmarked and released over future years as needed, smoothing the impact of funding fluctuations and timing of savings programmes on the revenue budget.
- **Transformation** – To support initiatives and transformative activities such as investments in technology and other innovation, and in line with operational priorities. This includes funding of resources to deliver *Your Future Service*.
- **Capital Receipts** – To earmark receipts for disposal of capital assets for use as deemed appropriate to minimise the cost of future capital financing.
- **Capital and ESN Reserve** – To hold amounts set aside for capital investment, applied to the capital programme as deemed appropriate to minimise the cost of future capital financing. This specifically includes funds ringfenced for work associated with preparedness for Emergency Services Network (ESN).
- **Developer Contributions (s106)** – To collect the drawn down developer contributions awarded to the PFCC in line with S106 planning arrangements. These funds will be released in accordance with the terms of the agreements, usually to fund capital expenditure. The reserve only accounts for funds once they have been drawn down.
- **Capital Grants Unapplied** – To hold amounts grants received for specific capital investment, to be applied to the capital programme in line with the grant terms and as deemed appropriate to minimise the cost of future capital financing.

4.4. These reserves will be reviewed on a regular basis and any further opportunities to set aside earmarked reserves to support targeted expenditure and investment will be taken where appropriate.

5. Provisions

5.1. The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). A provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance, there is an established 'Insurance Provision' which is reviewed as part of the closedown process for each year.

6. Procedures for management and control

- 6.1. Any drawdown from reserves is subject to the approval of the PFCC, on advice from the PFCC's Chief Finance Officer (OPFCC CFO); or under the delegated authority of the OPFCC CFO.
- 6.2. The Local Government Act 2003 requires the Section 151 Officer to report annually on the adequacy of the reserves and this is included within the statement on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves.
- 6.3. The Strategy will be reviewed annually by the OPFCC CFO as part of the Budget and Precept process.

Annexe 1

NCFRA - Compliance with the 7 Key CIPFA Principles to assess the adequacy of reserves.

Budget Assumptions (CIPFA Principles)	2026/27 Situation in Northamptonshire
The treatment of inflation and interest rates	<p>Northamptonshire makes full and appropriate provision for pay and price increases, informed by benchmarking with peers.</p> <p>An informed assessment is made in the Treasury Management Strategy of interest rate movements, backed up by professional independent advice.</p> <p>All income and expenditure in the budget is prepared and published at outturn prices.</p> <p>Additionally, there are operational and inflation contingencies to mitigate any volatility during the year.</p>
Estimates of the level and timing of capital receipts	<p>Northamptonshire has reviewed its estates strategy as a fundamental part of the capital programme and has made a prudent assumption of future capital receipts across the programme which are being used to fund capital expenditure and minimise the impact of borrowing on the budget.</p>
The treatment of demand led pressures	<p>NCFRA is required to operate and manage within its annual budget allocation.</p> <p>All budgets except firefighters are devolved and managed by trained budget holders.</p> <p>On an exceptional basis, agreement of the PFCC is given to utilise carry forwards to meet one off demand led pressures.</p> <p>Demand led pressures are scrutinised and built into the budget on zero based budget principles. An agreed budget for Fire is set by the PFCC.</p> <p>The PFCC is keen to ensure that NCFRA continue to identify efficiencies where it makes sense to do so, and an efficiency target is set as part of the budget and MTFP and detailed within the annual strategic outcomes agreed with the Chief Fire Officer.</p>

	<p>Depending on funding availability, the PFCC has and will continue to support investment in areas that reduce demand, or which increase efficiency/capacity to deal with demand.</p> <p>General reserves are used as a last resort to manage and fund demand led pressures.</p>
<p>The treatment of Planned Efficiency Savings/Productivity Gains</p>	<p>In the first few years post governance transfer, NCFRA has underspent each year and used the opportunity to increase reserves as a result. Each financial year is more challenging, but it is forecast the budget will be balanced with a minimal use of reserves.</p> <p>There is a savings plan aligned to the MTFP and any identified savings and efficiencies from service or governance transfers will be monitored and reviewed regularly by the service and are only included as achieved in budgets when confirmed and verified.</p>
<p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments.</p>	<p>The financial consequences of partnership collaboration working outsourcing arrangements or capital investment are reported to the PFCC as part of the medium-term planning process. Where relevant, any additional costs are incorporated into the annual revenue budget and/or capital programme.</p> <p>There is a risk that partners will withdraw funding as their own budgets are squeezed, or that the continued viability of private sector commercial partners will be exposed to risk in the face of an economic recession.</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</p>	<p>NCFRA have built up appropriate reserves from a zero base to build a stable range earmarked reserves and provisions to meet specific expenditure items. Their use and balances are detailed in the attached annexe.</p> <p>NCFRA maintain an insurance provision, the adequacy of which is reviewed and monitored in detail by the legal services insurance advisors.</p> <p>NCFRA continue to maintain a general reserve to cover any major unforeseen circumstances, supported by</p>

	<p>earmarked reserves where appropriate to meet targeted investment in a planned manner which does not disproportionately impact on the revenue budget each year.</p>
<p>The general financial climate to which the Authority is subject</p>	<p>It is anticipated that the financial climate will continue to be challenging, and the medium-term financial plan reflects the “best estimate” of future inflation rates and increases in government grants and contributions.</p> <p>The Commercial team keep the authority updated on matters/risks affecting large contracts and supply chain.</p> <p>The MTFP will be regularly reviewed and updated to support operational decision making.</p>

Annexe 2

**RESERVES OF THE NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY
2026/27 to 2030/31**

	Rationale	How and when used	Level	Risk If Reserve Not Held	Management and control	Review
GENERAL RESERVE	<p>To maintain a degree of in-year financial flexibility</p> <p>To enable NCFRA to deal with unforeseen circumstances and incidents.</p> <p>To manage and meet financial risks of any industrial action requirements.</p> <p>To set aside sums for known and potential liabilities.</p>	<p>To meet exceptional spending needs or overspends which are unable to be otherwise financed at the year end.</p> <p>To smooth the profile of revenue over a medium term financial period.</p> <p>To allow higher spending without raising council tax on a one-off basis.</p>	<p>To maintain a sustainable level of £2.0m of 5% (whichever is the higher)</p>	<p>The general reserve is held at a level which reflects risk, uncertainties and volatility.</p> <p>If no reserve is held there may be insufficient resources available for major catastrophe, which could jeopardise financial status and reputation of NCFRA.</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>Annual</p>
EARMARKED - INSURANCE	<p>To cover the potential and contingent liabilities of uninsured risks as assessed annually by our insurers based on claims outstanding.</p>	<p>The balance may increase or reduce annually dependent on the NCFRA outstanding claims record. Established in 2018/19 following advice from legal service advisors. Level of reserve reviewed annually with the legal services advisers.</p>	<p>Variable according to annual risk assessment.</p>	<p>The reserve is held to cover potential uninsured risks.</p> <p>If no reserve is held the NCFRA is potentially open to significant excess and claims payments in year beyond available revenue budgets which would fall on the general reserve.</p> <p>Assessment by insurers needs to be realistic not unduly pessimistic.</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>Annual</p>

	Rationale	How and when used	Level	Risk if Reserve Not Held	Management and control	Review
EARMARKED - OPERATIONAL EQUIPMENT	To smooth the impact of operational equipment purchases on the revenue budget	To access the funds a costed request has to be provided.	Variable according to usage and annual risk assessment.	<p>The reserve is held to smooth the impact of operational equipment replacement rather than have significant variations in the budget.</p> <p>If no reserve is held, the risk is that equipment would have to be replaced from the current year's budget or capital programme.</p>	PFCC, on advice from PFCC CFO	Annual
EARMARKED – CARRY FORWARDS	To fund specific expenditure requested by the service from previous year underspends or earmarked funding received.	Business cases provided as part of the outturn report or specific funding conditions.	Variable according to year end outturn and usage.	Establishing a reserve enables an incentive and opportunity to utilise year end underspends in a manner which will provide additionality or benefit for the service in future years, rather than finding resources from in-year or reserves.	PFCC, on advice from PFCC CFO	Annual
EARMARKED – SMOOTHING	<p>The reserve is held to receive any efficiencies and funding in excess of the budget set and to utilise to ensure any future variations are smoothed where appropriate.</p> <p>This includes the impact of fluctuations in funding receipts from the collection fund if provided after the budget has been set.</p>	The balance will increase or reduce annually dependent on budget levels and the savings programme.	Variable according to usage and annual risk assessment.	<p>If funds were not maintained the PFCC and the Service could be required to balance the budget or funding shortfalls by in-year savings.</p> <p>There can be significant variations each year in the revenue budget whilst the timing of efficiency savings occur – this smoothing reserve will assist in mitigating that.</p>	PFCC, on advice from PFCC CFO	Annual

	Rationale	How and when used	Level	Risk If Reserve Not Held	Management and control	Review
EARMARKED - TRANSFORMATION	To fund transformative activities and opportunities and meet initial and upfront costs of approved projects.	To access the funds a costed request or business case has to be provided.	Variable according to outturn and change programme.	If funds were not provided, the risk is that equipment or services and resources required to implement transformative projects would have to be replaced from the current year's budget or other reserves. If no funds were available, it may be that innovative activity is hindered.	PFCC, on advice from PFCC CFO	Annual
EARMARKED - CAPITAL RECEIPTS	To hold capital financing underspends or disposal proceeds. These are to be used to fund the capital programme and minimise borrowing.	Released to fund capital projects where deemed the most cost efficient way to do so, in line with the Treasury Management Strategy.	Variable according to outturn, usage and annual risk assessment.	If unavailable, the cost of financing capital expenditure could adversely impact revenue budgets into the future. Capital projects may be deemed unaffordable.	PFCC, on advice from PFCC CFO	Annual
EARMARKED - CAPITAL AND ESN RESERVE	To meet the costs of ESN and other capital requirements to support the funding of the capital programme.	Used to support funding the capital programme to minimise the cost of external borrowing on NCFRA and the taxpayer.	Variable according to activities.	If funds were not provided, the risk is that the additional costs would have to be factored into the capital programme.	PFCC, on advice from PFCC CFO	Annual
EARMARKED - DEVELOPER CONTRIBUTIONS (\$106)	The reserve is held for funds allocated to the PFCC from developers towards the cost of infrastructure developments for Policing. To meet the additional cost of operational requirements	To access the funds a costed request has to be provided which is consistent with the conditions of the developer contribution.	Variable according to usage.	If unavailable, the cost of financing capital expenditure could adversely impact revenue budgets into the future. Capital projects may be deemed unaffordable.	PFCC, on advice from PFCC CFO	Annual

	Rationale	How and when used	Level	Risk if Reserve Not Held	Management and control	Review
EARMARKED - CAPITAL GRANTS UNAPPLIED	Used to earmark unapplied grants brought forward from the Governance Transfer with Northamptonshire County Council and any additional one off grant received from the Home Office.	Used to support funding in accordance with the grant requirements to minimise the cost of external borrowing on NCFRA and the taxpayer if purchased from capital.	Variable according to activities.	<p>The reserve is held for grants awarded for a specific capital purpose.</p> <p>This enables funds to be used in the most appropriate manner to meet capital expenditure and minimise the cost of borrowing.</p>	PFCC, on advice from PFCC CFO	Annual

Annexe 3

Summary of Reserves 2025/26 to 2030/2031

	Forecast Balance at 31 March 2026 £m	Forecast Balance at 31 March 2027 £m	Forecast Balance at 31 March 2028 £m	Forecast Balance at 31 March 2029 £m	Forecast Balance at 31 March 2030 £m	Forecast Balance at 31 March 2031 £m
<u>Held to meet budgetary risks</u>						
Insurance	0.250	0.250	0.250	0.250	0.250	0.250
Operational Equipment	0.096	0.167	0.238	0.309	0.380	0.451
	0.346	0.417	0.488	0.559	0.630	0.701
<u>Held to support the medium term budget</u>						
Smoothing Reserve	0.033	0.153	0.273	0.333	0.393	0.453
	0.033	0.153	0.273	0.333	0.393	0.453
<u>Held to facilitate change programmes</u>						
Transformation Reserve	0.603	0.536	0.466	0.466	0.466	0.466
	0.603	0.536	0.466	0.466	0.466	0.466
<u>Committed to future capital programmes</u>						
Capital Receipts	1.607	0.000	0.000	0.000	0.000	0.000
Capital and ESN Reserve	0.314	0.314	0.000	0.000	0.000	0.000
S106 Developer Contributions	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grants Unapplied	0.418	0.000	0.000	0.000	0.000	0.000
	2.339	0.314	0.000	0.000	0.000	0.000
Total Earmarked Reserves	3.321	1.420	1.227	1.358	1.489	1.620
General Fund	2.000	2.000	2.000	2.060	2.120	2.180
Total Reserves	5.321	3.420	3.227	3.418	3.609	3.800

Note: numbers may not sum due to rounding