



Essex County
Fire & Rescue Service

**Essex County Fire and Rescue Service
Reserves Strategy**

2024/25

Last updated on 12 February 2024

Contents

- 1. **Background**3
- 2. **Categories of Reserves**4
- 3. **Flexible Use of Capital Receipts**9
- 4. **Risks**10
- Appendix 1 – Summary Table of Reserves**10

1. Background

The Reserves Strategy sets out our level of reserves and what we intend to use them for.

The Home Office published the Fire and Rescue National Framework in May 2018; in addition, a Financial Management Code of Practice has been issued. Both these documents include reference to reserves. The main elements are:

- Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- Fire and Rescue Authorities (FRA's) should establish a policy on reserves and provisions in consultation with their Chief Finance Officer. General Reserves should be held by the Fire and Rescue Authority and managed to balance funding and spending priorities and to manage risks. These should be established as part of the medium-term financial planning process, as presented in the Medium Term Financial Strategy.
- Each Fire and Rescue Authority should publish their Reserves Strategy on their website, either as part of their Medium Term Financial Strategy or in a separate Reserves Strategy document. The Reserves Strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The Reserves Strategy should cover resource and capital reserves and provide information for the period of the Medium Term Financial Strategy (and at least two years ahead).
- Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the Fire and Rescue Authority's Medium Term Financial Strategy. The strategy should be set out in a way that is clear, and understandable for members of the public, and should include:
 - how the level of the General Reserve has been set.
 - justification for holding a General Reserve larger than five percent of budget; and,
- Details of the activities or items to be funded from each Earmarked Reserve, and how these support the FRA's strategy to deliver a good quality service to the public. Where an Earmarked Reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.
- The information on each reserve should make clear how much of the funding falls into the following three categories:
 - Funding for planned expenditure on projects and programmes over the period of the current medium term financial strategy.
 - Funding for specific projects and programmes beyond the current planning period.
 - As a general contingency or resource to meet, other expenditure needs held in accordance with sound principles of good financial management (e.g., insurance).

2. Categories of Reserves

Reserves that are held the Fire Authority are categorised into two separate categories as follows:

- **Useable Reserves** – These reserves are those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable Reserves** – These reserves are those that the Authority cannot use to provide services. These arise from accounting adjustments and change annually as part of the year end process.

UNUSABLE RESERVES

The table below shows the current and prior year position of the Authority's Unusable Reserves:

	Actual Balance at 31st March 2022 £000's	Actual (Unaudited) Balance at 31st March 2023 £000's
Revaluation Reserve	41,336	43,840
Capital Adjustment Account	66,978	66,198
Holiday Pay Account	(1,269)	(1,353)
Collection Fund Account	(418)	1,557
Pension Reserve	(902,453)	(570,842)
Unusable Reserves	(795,826)	(460,600)

The detail of each Unusable Reserve is outlined below:

- **Revaluation Reserve** – Includes unrealised gains and losses made by the Authority arising from changes in the value of its Property, Plant and Equipment (and Intangible Assets).
- **Capital Adjustment Account** – Absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions.
- **Holiday Pay Account** – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g., annual leave entitlement carried forward at the year end.
- **Collection Fund Account** – The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- **Pension Reserve** – Absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

USABLE RESERVES

The Authority maintains the following type of Useable Reserves:

General Reserves

These are held by the Authority to balance funding and spending priorities and to manage risks. These are established as part of the medium term financial planning process.

The Authority needs to hold an adequate level of general reserves to provide:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events.
- A means of smoothing out large fluctuations in spending requirements and/or funding available.

The table below shows the current and projected position of our General Reserves:

	Actual Balance at 31st March 2023* £000's	Projected Balance at 31st March 2024 £000's	Projected Balance at 31st March 2025 £000's	Projected Balance at 31st March 2026 £000's	Projected Balance at 31st March 2027 £000's
General Reserves Opening Balance	4,341	3,882	3,344	3,344	3,344
Surplus / (deficit) in year	(459)	(538)	-	-	-
General Reserves Closing Balance	3,882	3,344	3,344	3,344	3,344
Per Previous Reserves Strategy	3,056	3,056	3,056	3,056	
Movement	826	288	288	288	
General Reserve Closing Balance as a % of Budget	5%	4%	3%	3%	3%

*2022/23 Figures based on Unaudited Financial Statements

The actual level of General Reserves at 31 March 2023 was £3.882m, which was £0.826m higher than those projected in the previous Reserves Strategy. This was primarily due to an improvement in our final outturn position for 2022/23 due to receiving unplanned S31 Grants for business rates relief. The final outturn position is detailed in the 2022/23 Narrative Report within the Financial Statements [here](#) (page 13).

The level of General Reserves is projected to be £3.344m at 31 March 2024, and continue at this level across the medium term. The 2024/25 precept proposals were approved on 1 February 2024 by the Police, Fire and Crime Panel. The 2024/25 budget is balanced with no use of General Reserves.

The use of General Reserves in the table above is consistent with the Medium Term Financial Strategy and 2024/25 Budget Paper.

The level of General Reserves for 2023/24 is £0.288m higher than the prior year projection. This is a result of:

- £0.826m improvement in the final position for 2022/23, as mentioned above

- (£0.538m) projected general fund deficit for 2023/24, which is primarily driven by unbudgeted pay awards to staff in the year.

The Authority deems that holding a 3% to 5% level of General Reserves is adequate. If the general reserve falls below 3%, the Authority would look to make appropriate plans in order to be replenish the level of the general reserves in the following year.

The National Framework requires that any General Reserve above 5% should be justified in the strategy document, in this context the Authority plans to continue to operate within the 5% requirement.

Earmarked Reserves

The Authority has established specific reserves to manage key financial risks and to support the transformation of the Authority to ensure it is fit for the future.

There are clear policies in place to set out how and when each Earmarked Reserve can be used.

This includes the requirement for the submission of a business case to support the use of any Earmarked Reserve, which must be approved by the Commissioner on the advice of the Chief Finance Officer.

Each reserve is reviewed on a regular basis, at least annually. Reviews of all reserves are also included as part of both the annual budget, annual accounts and the Medium Term Financial Strategy.

The table below shows the current and future planned level of each Earmarked Reserve:

	Actual Balance at 31 March 2022 £000's	Actual Addition / (Use) £000's	Actual Balance at 31 March 2023* £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2024 £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2025 £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2026 £000's
Earmarked Contingency Reserves									
Demand Pressures	600	-	600	-	600	-	600	-	600
Taxbase & Collection Account Reserve	200	-	200	-	200	-	200	-	200
National Non Domestic Rates Collection Reserve	1,695	(1,462)	233	-	233	-	233	-	233
Risk Protection	285	-	285	-	285	-	285	-	285
	2,780	(1,462)	1,318	-	1,318	-	1,318	-	1,318
Earmarked Reserve - Productivity									
On Call - Support	463	(71)	392	-	392	-	392	-	392
Invest to Save	523	-	523	-	523	(100)	423	-	423
Innovation & Transformation	3,799	(1,379)	2,420	(1,763)	657	(657)	-	-	-
	4,785	(1,451)	3,334	(1,763)	1,572	(757)	815	-	815
Earmarked Reserve - Specific Purpose									
Unspent Government Grant - Covid 19	525	(142)	383	(217)	166	(133)	33	(5)	28
Unspent Government Grant - Pension	102	(98)	4	(4)	-	-	-	-	-
Operational Training Reserve	837	(348)	489	-	489	(235)	254	-	254
Learning & Development Programme	1,230	(75)	1,155	(51)	1,104	(150)	954	(350)	604
Community Safety Programme - Sprinkler Support	472	(53)	419	-	419	-	419	-	419
LGPS Deficit	304	(304)	-	-	-	-	-	-	-
	3,470	(1,020)	2,450	(272)	2,178	(518)	1,660	(355)	1,305
Total Earmarked Reserves	11,035	(3,933)	7,102	(2,035)	5,068	(1,275)	3,793	(355)	3,438
Per 2023/24 Reserves Strategy	11,035	(4,133)	6,902	(1,610)	5,292	(970)	4,322	(350)	3,972
Difference	-	200	200	(425)	(224)	(305)	(529)	(5)	(534)

*2022/23 Figures based on Unaudited Financial Statements

The movements in the Earmarked Reserves for the year ending 31 March 2024, are based on estimates made prior to year-end.

The comparatives in the table above, show that Earmarked Reserves are **£0.200m higher** at 31 March 2023, than forecast in the previous strategy. This was primarily due to £0.23m of National Non-Domestic Rates Collection Reserves carried forward to

Commented [AP1]: @Neil Cross Does the schedule below need to be rolled forward onto 2023-2027?

Commented [NC2R1]: Lets leave this for now as its consistent with the budget. Going forward we should align up all years in the MTFs / EMR etc so they all reflect the same period.

Lets remove the rows with no EMR
Eg. Rolling budgets / Bsuienss Continuity

Commented [AP3R1]: Done

offset future fluctuations in National Non-Domestic Rates deficits, that was not included in the prior projection.

Earmarked Reserves projected at 31 March 2024 are **expected to be £0.224m lower** than projected in the previous Reserve strategy, which the key movements comprising of:

- **£0.23m Earmarked Contingency Reserves:**
 - Additional National Non-Domestic Rates Collection Reserves carried forward from 2022/23 as above.
- **(£0.57m) Earmarked Reserves – Productivity:**
 - Additional use of the Innovation & Transformation Reserve to fund specific one off specific cost. This includes funding the implementation costs of a new finance system and the funding of the next phases of key property transformation projects (combined fleet workshop with Essex Police and Hot Fire Training Facilities).

The purpose for which each Earmarked Reserve is held is explained below:

Earmarked Contingency Reserves:

Demand Pressures – This reserve has been established to fund any exceptional in year costs that arise due to increase in demand pressure resulting from major incidents.

Tax base and Collection Account Reserve – This reserve has been established to fund any unplanned fluctuations on the Council Tax Collection Account.

National Non-Domestic Rates Collection Reserve – This reserve has been established to fund any unplanned fluctuations on the National Non-Domestic Rates Collection Account.

Risk Protection – The purpose of this reserve is to fund any unknown legal or insurance exposures that may arise in the future.

Earmarked Reserves – Productivity:

On Call Support – This is to support the On Call Development Programme, specifically targeting an improvement in recruitment and retention initiatives within this duty system.

Invest to Save Reserve – The purpose of this reserve is to enable managers to bid for investment funding for projects that would realise savings and efficiencies in future years.

Innovation and Transformation Reserve – This reserve has been established to fund innovation and transformation projects in line with the IRMP and the Fire & Rescue Plan.

Earmarked Reserves – Specific Purpose:

Unspent Government Grants – Covid-19 – This reserve reflects unspent Government funding in respect to Covid 19 support.

Unspent Government Grants – Pension – This reserve reflects specific unspent Government funding relating to the pension administration grant.

Operational Training Reserve – This reserve has been established to support investment in operational training.

Learning and Development Programme – The reserve has been established to invest in structured learning and development initiatives.

Community Safety Programme – Sprinkler Support – The purpose of this is to support the retro fitting of sprinklers in high rise premises in Essex.

LGPS Deficit – This reserve has been established to Fund the LGPS Deficit.

Capital Receipts Reserve

Capital Receipts are generated from the sale of surplus assets.

The use of the Capital Receipts Reserve is governed by regulations, and they can only be spent on:

- Capital Financing of new expenditure
- Repayment of debt
- Funding the costs of disposals

The table below shows the current and future planned level of the Capital Receipts Reserve:

Capital Receipts Reserve (CRR)	Actual Balance at 31 March 2023* £000's	Projected Balance at 31 March 2024 £000's	Projected Balance at 31 March 2025 £000's	Projected Balance at 31 March 2026 £000's	Projected Balance at 31 March 2027 £000's
CRR Opening Balance	13,152	15,740	12,256	10,456	6,206
Sale of Assets	2,920	649	-	-	-
Utilised in Year	(332)	(4,133)	(1,800)	(4,250)	(5,500)
CRR Closing Balance	15,740	12,256	10,456	6,206	706
Per Previous Strategy	13,254	11,415	6,665	1,915	
Movement	2,486	841	3,791	4,291	

*2022/23 Figures based on Unaudited Financial Statements

The Capital Receipts from the Sale of Asset primarily relate to the sale of surplus day crew housing. The projected use of capital receipts, and the impact on borrowing, is further reviewed as part of the Treasury Management and Capital Strategies.

Use of Capital Receipts Reserve - The Fleet, Estate and ICT Digital and Data Strategies will determine the baseline level of funding that is to be included within the Annual Capital Programme. This baseline funding will primarily consist of Vehicle Replacement Programme, Asset Protection Works and ICT laptop rolling replacement.

The Capital Receipts Reserve will look to be utilised for Capital Expenditure that is outside of the baseline funding. This will require the submission of a business case, which must be approved by the Commissioner on the advice of the Chief Finance Officer.

The projects below have been allocated funding from the Capital Receipts Reserve. With the exception of the Hybrid Vehicles and the Cost Saving Initiative 2024/25, all of the remaining projects outlined below are consistent with the prior year.

- Shoeburyness Fire Station (2023/24) – The investment is for the upgrade of the Station.
- ICT Strategy (2023/24) – Funding was agreed as part of the Digital & Data Strategy, to update the Authority’s ICT infrastructure.
- Control Project (2023/24) – The investment is required to upgrade the Emergency Services Network, vital to the delivery of services.
- Hybrid Vehicles (2023/24) – The Authority is investing in hybrid vehicles as part of its Environmental Strategy.
- Savings Initiatives (2024/25) – The Authority is funding ICT and vehicle expenditure as a cost saving initiative.
- Service Workshops (2027/28) – The investment is for the relocation of the Service Workshops to a new location in Collaboration with Essex Police.
- Training Centre Relocation (2024/25 to 2026/24) – The investment is for the replacement of our existing training facilities at Wethersfield.

Movements against prior strategy – The utilisation of Capital Reserves Reserve has been updated to reflect the funding of capital expenditure as per the Authority’s Capital Strategy.

The Reserves Strategy will be reviewed and updated on an Annual Basis. Business cases prepared to support the use of reserves, will be aligned to the Fire & Rescue Plan.

Useable reserves will be monitored on a regular basis through the Performance and Resources Board.

3. Flexible Use of Capital Receipts

Capital Receipts Reserves can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations.

The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

The Secretary of State for Communities and Local Government issued guidance in March 2016 giving local authorities greater freedoms with how capital receipts could be utilised.

This Direction allows for the following expenditure to be treated as capital:

“Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”

To take advantage of this freedom, the Authority must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Authority to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy,

with the initial strategy being effective from 1 April 2016 with future strategies included within future annual budget documents and reported as appropriate.

The Authority does not plan to apply Capital Receipts Flexibility in 2024/25.

4. Risks

The Reserves Strategy has considered all significant financial risks to the Authority, which are expected to have an impact in the next three years. Reserves are monitored throughout the year in the finance pack presented to the Performance and Resources Board each month. Earmarked Reserves are released throughout the year to mitigate against the financial impact of Service transformation.

One specific risk to the Authority, for which an Earmarked Reserve has not been created, is the outcome of the McCloud/Sargeant case in respect of the Firefighters Pension Scheme. The remedy has been agreed under The Firefighters Pensions (Remedial Service) Regulations 2023, and qualifying expenditure is chargeable to the pension fund, therefore an Earmarked Reserve has not been created.

Additionally, there is a risk of additional unbudgeted cost pressures as a result of the cost of living crisis and war in Ukraine. This risk is mitigated by regular updates to the Medium Term Financial Strategy in the year, and if reserves need to be reprioritised then proposals will be submitted to the PFCC for approval.

Appendix 1 – Summary Table of Reserves

Summary Table of Reserves	Published Balance at 31 March 2023 £000's	Projected Balance at 31 March 2024 £000's	Projected Balance at 31 March 2025 £000's	Projected Balance at 31 March 2026 £000's
Usable Reserves				
General Reserves	3,882	3,344	3,344	3,344
Earmarked Reserves	7,102	5,068	3,793	3,438
Capital Receipt Reserves	15,741	12,256	10,456	6,206
Total Usable Reserves	26,725	20,668	17,593	12,988
Unusable Reserves				
Revaluation Reserve	43,840			
Capital Adjustment Account	66,198			
Holiday Pay Account	(1,353)			
Collection Fund Account	1,557			
Pension Reserve	(570,842)			
Total Unusable Reserves*	(460,600)			

Note:

Unusable reserves are not included in the forecast, as they arise from accounting adjustments.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents – none.	
Proper Officer:	Chief Financial Officer (S151)
Contact Officer:	Neil Cross Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576100