



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 036-22
Government security classification Not protectively marked
Title of report: Final Earmarked Reserves Movements 2021-22
Area of county / stakeholders affected: Users of ECFRS Financial Statements
Report by: Austin Page - Financial Accounting and Compliance Manager
Date of report: 13 th July 2022
Enquiries to: Neil Cross (Chief Financial Officer)

1. Purpose of the report

This report seeks approval for the General and Earmarked Reserve Positions as per the 2021/22 Unaudited Financial Statements.

2. Recommendations

The Police, Fire and Crime Commissioner is asked to:

- Note the level of General Reserves as per the 2021/22 Unaudited Financial Statements is £4.341m.
- Approve the level of Earmarked Reserves as per the 2021/22 Unaudited Financial Statements at £11.035m. This includes the following new amounts being earmarked:
 - £1.495m being the S31 grants provided to offset the National Non-Domestic Rates (NNDR) Collection Fund deficit.
 - £0.135m of grant income for Covid-19, being recognised under the Unspent Government Grant - Covid 19 Earmarked Reserve.
 - £0.102m of grant income for pensions being recognised under the Unspent Government Grant – Pensions.
 - £0.028m from the liquidation of EFA (Trading) Limited that is earmarked for use by the Essex County Fire and Rescue Cadets.

- Note that the above represent the key movements to the Earmarked Reserves Position, as compared to the Projected Earmarked Reserves Position for 2021/22 that was included within the Reserves Strategy (approved through decision report 015-22).

3. Benefits of the proposal

General Reserves are held by the service and managed to balance funding and spending priorities and to manage risks. They are established as part of the medium term financial planning process. The benefits of holding sufficient General Reserves are 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.

Earmarked Reserves are created to manage key financial risks and to support the transformation of the service. The benefit of the transfers outlined in section 2 is to offset the impact on the General Reserve when the costs are expected to arise.

4. Background and proposal

All transfers to or from reserves must be approved by the Commissioner in line with the Constitution.

The 2021/22 Unaudited Financial Statements were presented at an Extraordinary Strategic Board on 11th July 2022, with the formal decision to publish the accounts being made through decision report 035-22.

The Authority's latest Reserves Strategy was approved through decision report 015-22. As compared to the 2021/22 Unaudited Financial Statements, there are an additional £1.76m of additional funds being allocated to Earmarked Reserves. This is primarily a result of additional funding, which the Authority was not sighted on when the Reserves Strategy was approved. These key items are listed below:

S31 Grant – Collection Fund Deficit

Council tax and NNDR collections are set out on the NNDR1, which provides the breakdown of income to be recognised throughout the year. At the end of the year the NNDR3 is completed, which provides the actual balance of collections. NNDR deficits have arisen during the 2021/22 financial year, which are driven by the additional business rate reliefs that the government has granted during the pandemic. The government is compensating Authorities by means of a S31 Grant. In 2021/22, a Section 31 grant has been recognised of £1.45m to offset the deficit on the collection fund, which will be used to offset the reduction in income for 2022/23. This has been recognised under the National Non-Domestic Rates Collection Earmarked Reserve.

As part of the Authority's year end process, the District Councils provide all information regarding the Council Tax and NNDR Collections which informs this position.

Specific Grant Income – Pensions and Covid-19

A specific Covid-19 grant of £135k has been recognised in 2021/22, following a government announcement (Appendix 1) in April 2022. This has been recognised under the Unspent Government Grant - Covid 19 Earmarked Reserve.

A specific Pension grant of £105k has also been recognised in 2021/22, following the government announcement (Appendix 1) in April 2022. This has been recognised under the Unspent Government Grant – Pensions Earmarked Reserve.

Under CIPFA guidance, unspent specific grant income should be transferred to Earmarked Reserves to be utilised against future expenditure.

Profit on Disposal of EFA (Trading) Limited

As part of the final liquidation of EFA (Trading) Limited, a contribution of £28k has been earmarked for future use by the Essex County and Fire Rescue Cadets. This has been recognised under the Invest to Save Reserve.

5. Alternative options considered and rejected

Without the adjustments to Earmarked Reserves, the Service will not be compliant with CIPFA guidance.

6. Strategic priorities

Reserves are an integral part of the Authority's overall strategic financial planning and help to inform and support its Medium-Term Financial Strategy. The Authority has established specific reserves to manage key financial risks and to support the transformation of the service to ensure it is fit for the future and will deliver on the priorities set out in the Fire and Rescue Plan, which include making best use of our resources and being transparent.

7. Operational implications

There are no direct operational implications of this decision report.

8. Financial implications

The table below compares the movement in General Reserves as per the 2021/22 Unaudited Financial Statements, as compared to the Projected Balance included in the latest Reserves Strategy:

	Projected Balance at 31st March 2022 £000's	Actual Balance at 31st March 2022 £000's	Variance £000's
General Reserve Opening Balance	4,351	4,351	-
Surplus / (Deficit) in Year	(221)	787	(1,008)
Transfer from / (to) Earmarked Reserves:	(800)	(800)	-
Rounding	-	3	
General Reserves Closing Balance	3,330	4,341	(1,011)

General Reserves are £4.3m in the 2021/22 Unaudited Financial Statements, as compared to £3.3m in the latest Reserves Strategy. The variance is a resultant surplus that has been made within the year, which is detailed in the 2021/22 Unaudited Financial Statements.

The table below compares the total Earmarked Reserves as per the 2021/22 Unaudited Financial Statements, as compared to the Latest Reserves Strategy:

Category	Per Reserves Strategy				Per Final Accounts				Variances	
	Published Balance at 31 March 2021	Forecast Addition / (Use) £000's	Tfr (to) / from General Reserve £000's	Projected Balance at 31 March 2022 £000's	Published Balance at 31 March 2021	Actual Addition / (Use) £000's	Tfr (to) / from General Reserve £000's	Projected Balance at 31 March 2022 £000's	Use of Reserves £000's	Additional Funding Received £000's
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Earmarked Contingency Reserves										
Demand Pressures	600	-	-	600	600	-	-	600	-	-
Taxbase & Collection Account Reserve	200	-	-	200	200	-	-	200	-	-
National Non Domestic Rates Collection Reserve	3,219	(3,019)	-	200	3,219	(3,019)	1,495	1,695	-	(1,495)
Rolling Budget Reserve	-	-	-	-	-	-	-	-	-	-
Risk Protection	285	-	-	285	285	-	-	285	-	-
Business Continuity	-	-	-	-	-	-	-	-	-	-
	4,304	(3,019)	-	1,285	4,304	(3,019)	1,495	2,780	-	(1,495)
Earmarked Reserve - Productivity										
On Call - Support	400	(208)	300	492	400	(237)	300	463	29	-
Invest to Save	495	-	-	495	495	-	28	523	-	(28)
Innovation & Transformation	4,000	(665)	500	3,835	4,000	(701)	500	3,799	36	-
	4,895	(873)	800	4,822	4,895	(938)	828	4,785	65	(28)
Earmarked Reserve - Specific Purpose										
Unspent Government Grant - Covid 19	803	(369)	-	434	803	(413)	135	525	44	(135)
Operational Training Reserve	1,000	(203)	-	797	1,000	(163)	-	837	(40)	-
Learning & Development Programme	1,400	(113)	-	1,287	1,400	(170)	-	1,230	57	-
Community Safety Programme - Sprinkler Support	480	-	-	480	480	(8)	-	472	8	-
LGPS Deficit	599	(295)	-	304	599	(295)	-	304	-	-
Unspent Government Grant - Pensions	-	-	-	-	-	-	102	102	-	(102)
	4,282	(980)	-	3,302	4,282	(1,049)	237	3,470	69	(237)
Total Earmarked Reserves	13,481	(4,872)	800	9,409	13,481	(5,006)	2,560	11,035	134	(1,760)

Earmarked Reserves are £11.03m under the 2021/22 Unaudited Financial Statements, as compared to £9.4m under the latest Reserves Strategy, with the key variances being:

- £1.76m of additional funds being earmarked which are outlined in section 4 above.
- (£0.134) of final movements on Earmarked Reserves as compared to the projected balances made in the Reserves Strategy.

9. Legal implications

There are no further legal implications arising from this decision.

10. Staffing implications

This decision does not have any direct financial implications and any staffing implications that may arise from using the reserves will be covered in the specific business cases put forward for approval.

11. Equality and Diversity implications

We have considered whether individuals with protected characteristics will be disadvantaged because of the actions being taken. Due regard has also been given to whether there is impact on each of the following protected groups as defined within the Equality Act 2010:

Race	No	Religion or belief	No
Sex	No	Gender reassignment	No
Age	No	Pregnancy & maternity	No
Disability	No	Marriage and Civil Partnership	No
Sexual orientation	No		

The service will ensure that the use of these Earmarked Reserves is managed in an equitable and fair manner which does not unduly impact on any particular group.

The Core Code of Ethics Fire Standard has been fully considered and incorporated into the proposals outlined in this paper.

12. Risks

There are no specific risks identified as part of this decision.

13. Governance Boards

The 2021/22 Unaudited Financial Statements were presented at an Extraordinary Strategic Board on 11th July 2022

14. Background papers


Appendix 1 – Letter – Sarah Gawley - Local Government Finance Settlement

Decision Process (036-22)

Step 1A - Chief Fire Officer Comments

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

.....I support this recommendation

Sign:  Date:.....14/7/22.....


Step 1B – Consultation with representative bodies


(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

Not applicable.
...

Step 2 - Statutory Officer Review

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority’s (“the Commissioner’s”) Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer Sign: 
Print: P. Brent-Isherwood
Date: 20 July 2022

Chief Finance Officer Sign: 
Print:Neil Cross.....
Date: ... 14/7/22

Step 3 - Publication

Is the report for publication? **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

.....None.....

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

Step 4 - Redaction

If the report is for publication, is redaction required:

- 1 Of Decision Sheet **NO**
- 2 Of Appendix **YES**

If 'YES', please provide details of required redaction:

Redaction of Appendix

Date redaction carried out:

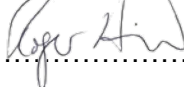
If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: Print:

Date signed:

Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner

I agree the recommendations to this report:

Sign:  (PFCC)

Print: Roger Hirst Date signed: ..22 July 2022.....

I do not agree the recommendations to this report:

Sign: (PFCC / DPFCC)

Print: Date signed: