



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

## Decision Report

**Please ensure all sections below are completed**

**Report reference number: 028-23**

**Government security classification** Not protectively marked

**Title of report:** Earmarked Reserves Movements and Publication of Unaudited Financial Statements 2022-23

**Area of county / stakeholders affected:** Users of ECFRS Financial Statements

**Report by:** Austin Page - Financial Accounting and Compliance Manager

**Date of report:** 26<sup>th</sup> May 2023

**Enquiries to:** Neil Cross (Chief Financial Officer)

### 1. Purpose of the report

This report is seeking approval for the final Earmarked and General Reserve Movements and to publish the Unaudited Financial Statements for the year ending 31<sup>st</sup> March 2023.

### 2. Recommendations

The Police, Fire and Crime Commissioner is asked to:

- Approve the publication of the Unaudited Financial Statements for the year ending 31<sup>st</sup> March 2023.
- Note that the level of General Reserves, as per the 2022/23 Unaudited Financial Statements, is £3.882m.
- Note that the level of Earmarked Reserves, as per the 2022/23 Unaudited Financial Statements, is £7.102m.
- Note that the level of Capital Receipts Reserve, as per the 2022/23 Unaudited Financial Statements, is £15.741m.

### **3. Benefits of the proposal**

To meet statutory reporting requirement for the publication of the 2022/23 Unaudited Financial Statements, these are required to be published by 31st May 2023. To provide public transparency and accountability of the service's financial affairs and how it is using public funds.

Earmarked Reserves are created to manage key financial risks and to support the transformation of the Service. The benefit of the balances outlined in section 8 are to offset the impact on the General Reserve when the costs are expected to arise.

General Reserves are held by the Service and managed to balance funding, 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.

### **4. Background and proposal**

The 2022/23 Unaudited Financial Statements were presented to an Extraordinary Strategic Board and an Extraordinary Audit Committee meeting on 25<sup>th</sup> May 2023. These boards supported the publication of the Unaudited Financial Statements.

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

The Authority's 2023/24 Reserves Strategy was approved in Decision Sheet **011-23**. This Strategy included some projections for the closing 2022/23 reserve positions. The actual position as set out in the 2022/23 Unaudited Financial Statements is slightly different as a result of the timing of projects falling into 2023/24 and carried forward Earmarked Reserves for National Non-Domestic Rates. There were also differences in the Capital Receipts Reserve arising from variances in capital income and expenditure in the year. Please see financial implications below for more detail.

The differences are that in the Unaudited Financial Statements there are an additional £0.826m of General Reserves and £0.201m of Earmarked Reserves.

### **5. Alternative options considered and rejected**

The Service is required to publish the Unaudited Financial Statements by 31<sup>st</sup> May 2023. While it is possible that the Commissioner chooses not to publish them this is not recommended as it would mean the Commissioner fails to comply with their regulatory obligations.

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 in the Fire and Rescue Plan, which includes making best use of our resources and being transparent.

## 7. Operational implications

There are no direct operational implications as a result of this decision sheet.

## 8. Financial implications

The Table below compares the total Earmarked Reserves per the 2022/23 Unaudited Financial Statements, as compared to the latest Reserves Strategy:

Earmarked Reserves 2022/23	Per Reserves Strategy			Per Financial Accounts			Variances
	Published Balance at 31 March 2022	Forecast Addition / (Use)	Projected Balance at 31 March 2023	Published Balance at 31 March 2022	Addition / (Use)	Actual Balance at 31 March 2023	Addition / (Use)
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b><u>Earmarked Contingency Reserves</u></b>							
Demand Pressures	600	-	600	600	-	600	-
Taxbase & Collection Account Reserve	200	-	200	200	-	200	-
National Non Domestic Rates Collection Reserve	1,695	(1,695)	-	1,695	(1,462)	233	233
Rolling Budgets Reserve	-	-	-	-	-	-	-
Risk Protection	285	-	285	285	-	285	-
Business Continuity	-	-	-	-	-	-	-
	<b>2,780</b>	<b>(1,695)</b>	<b>1,085</b>	<b>2,780</b>	<b>(1,462)</b>	<b>1,318</b>	<b>233</b>
<b><u>Earmarked Reserve - Productivity</u></b>							
On Call - Support	463	(48)	415	463	(71)	392	(23)
Invest to Save	523	-	523	523	-	523	-
Innovation & Transformation	3,799	(1,390)	2,409	3,799	(1,379)	2,420	11
	<b>4,785</b>	<b>(1,437)</b>	<b>3,348</b>	<b>4,785</b>	<b>(1,450)</b>	<b>3,334</b>	<b>(13)</b>
<b><u>Earmarked Reserve - Specific Purpose</u></b>							
Unspent Government Grant - Covid 19	525	(80)	445	525	(142)	383	(62)
Unspent Government Grant - Pension	102	(102)	-	102	(98)	4	4
Operational Training Reserve	837	(215)	622	837	(348)	489	(133)
Learning & Development Programme	1,230	(300)	930	1,230	(75)	1,155	225
Community Safety Programme - Sprinkler Support	472	-	472	472	(53)	419	(53)
LGPS Deficit	304	(304)	-	304	(304)	-	-
	<b>3,470</b>	<b>(1,001)</b>	<b>2,469</b>	<b>3,470</b>	<b>(1,020)</b>	<b>2,450</b>	<b>(19)</b>
<b>Total Earmarked Reserves</b>	<b>11,035</b>	<b>(4,133)</b>	<b>6,902</b>	<b>11,035</b>	<b>(3,932)</b>	<b>7,102</b>	<b>201</b>

Earmarked Reserves are £7.1m as per the 2022/23 Unaudited Financial Statements, as compared to £6.9m in the latest Reserves Strategy, with the key variances being:

- £0.23m carried forward in the National Non Domestic Rates Collection Reserve for future pressures on NNDR funding.
- Final movements on Earmarked Reserves – Productivity and Earmarked Reserves – Specific Purpose as compared to the projected balances made in the Reserves Strategy.

The table below compares the movement in General Reserves per the 2022/23 Unaudited Financial Statements, as compared to the 2023/24 Reserves Strategy:

<b>General Reserves at 31st March 2023</b>	<b>Per Reserves Strategy £000's</b>	<b>Per Financial Statements £000's</b>	<b>Variance £000's</b>
<b>General Reserves Opening Balance</b>	<b>4,341</b>	<b>4,341</b>	<b>-</b>
Net Surplus / (deficit) in year	<b>(1,285)</b>	<b>(460)</b>	<b>826</b>
<b>General Reserves Closing Balance</b>	<b>3,056</b>	<b>3,882</b>	<b>826</b>

General Reserves are £3.88m in the 2022/23 Unaudited Financial Statements, as compared to £3.06m in the latest Reserves Strategy. The Reserves Strategy was based on a projection of the year end outturn, the final outturn position was an improved position of £0.8m.

The table below compares the movement in Capital Receipts Reserves per the 2022/23 Unaudited Financial Statements, as compared to the 2023/24 Reserves Strategy:

<b>Capital Receipts Reserves at 31st March 2023</b>	<b>Per Reserves Strategy £000's</b>	<b>Per Financial Statements £000's</b>	<b>Variance £000's</b>
<b>CRR Opening Balance</b>	<b>13,153</b>	<b>13,153</b>	<b>-</b>
Sale of assets	<b>3,100</b>	<b>2,920</b>	<b>(179)</b>
Utilised in year	<b>(2,998)</b>	<b>(332)</b>	<b>2,667</b>
<b>CRR Closing Balance</b>	<b>13,255</b>	<b>15,741</b>	<b>2,486</b>

The Capital Receipts Reserve is £15.74m in the 2022/23 Unaudited Financial Statements, as compared to £13.26m in the Reserves Strategy. One less house was sold in the year than forecast in the Reserves Strategy, leading to a variance of (£0.18m). This house was sold at the start of 2023/24. £2.67m less reserves were utilised in the year than forecast, as a result of delays to reserve funded capital projects that will now be delivered in 2023/24.

## **9. Legal implications**

The Unaudited Financial Statements are required to be published by the 31st of May 2023 in accordance with The Accounts and Audit (Amendment) Regulations 2022.

## **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:

<i>Race</i>	<i>No</i>	<i>Religion or belief</i>	<i>No</i>
<i>Sex</i>	<i>No</i>	<i>Gender reassignment</i>	<i>No</i>
<i>Age</i>	<i>No</i>	<i>Pregnancy &amp; maternity</i>	<i>No</i>
<i>Disability</i>	<i>No</i>	<i>Marriage and Civil Partnership</i>	<i>No</i>
<i>Sexual orientation</i>	<i>No</i>		

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 draft accounts were considered at the Extraordinary Audit Committee and the Extraordinary ECFRS Strategic Board, both on 25 May 2023, and that both the Committee and the Board recommended the Unaudited Financial Statements to the Commissioner for approval and publication.

## 14. Background papers

14a. Unaudited Financial Statements 2022/23

14b. Reserves Strategy 2023/24

**Decision Process (028-23)**

**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.)

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Sign:



Date: 26<sup>th</sup> May 2023

Rick Hylton

**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.

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**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: *D. Horsman* .....

Print: Darren Horsman - Deputy Monitoring Officer .....

Date: 31/5/2023 .....

Chief Finance Officer

Sign: 

Print: Neil Cross

Date: 26<sup>th</sup> May 2023

**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)

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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 | <b>NO</b>  |
| 2 | Of Appendix       | <b>YES</b> |

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

Redaction of Appendix.....

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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 / DPFCC)

Print: Roger Hirst .....      Date signed: 31/05/2023 .....