

Lancashire Combined Fire Authority Resources Committee

Meeting to be held on 12 July 2023

Year End Usable Reserves and Provisions Outturn 2022/23

Contact for further information: Steven Brown - Director of Corporate Services
Tel: 01772 866804

Executive Summary

This report presents the year end outturn position in respect of usable reserves and provisions. It is based on the information reported in the Revenue Outturn, Capital Outturn and Treasury Management Outturn reports.

Recommendation

The Committee is asked to:-

- note the net utilisation of £485k of earmarked reserves;
- approve the transfer of £2,671k of unused capital to capital reserves;
- note £9k of capital receipts;
- note and endorse the overall level of reserves and provisions as set out in the report.

Information

The Authority approves its reserves and balances policy as part of its budget setting process in February, with the year-end outturn position being reported to Resources committee and included in the statement of accounts.

The previously reported Revenue Outturn, Capital Outturn and Treasury Management Outturn all feed the Authorities overall reserves position, which is summarised below:-

£m	General Reserve	Earmarked Reserves	Capital Reserves (inc Receipts)	Total Usable Reserves	Provisions	Total
Balances at 31/3/22	6.044	9.742	19.355	35.141	1.446	36.677
Revenue Adjustments						
• Utilised / Provided for In-Year		-0.485	-	-0.485	-0.246	-0.731
• Revenue Outturn	-1.865	-	-	-1.865	-	-1.865
• Specific transfers to / (from) Earmarked Reserves	-	-	-	0	-	0
Subtotal	-1.865	-0.485	0	-2.35	-0.246	-2.596

NWFC reserves movement	-	-	-	-	-	-
Capital Adjustments				0		0
• Capital Outturn	-	-	-	0	-	0
• Unused RCCO	-	-	2.671	2.671	-	2.671
• Capital Receipts	-	-	0.009	0.009	-	0.009
Subtotal	0.000	0.000	2.680	2.680	0.000	2.680
Balances at 31/3/23	4.179	9.257	22.035	35.471	1.200	36.761

Note the above figures exclude our share of the NWFC reserves.

General Reserve

This is a non-specific reserve to meet short / medium term unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed in the medium term.

The Authority needs to hold an adequate level of general reserves in order 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; and
- A means of smoothing out large fluctuations in spending requirements and/or funding available.

As a precepting Authority any surpluses or deficits are transferred into / out of reserves to meet future potential commitments. The Authority's current general fund balance now stands at £4.2m and is above the minimum target level of £3.75m agreed by the Authority at its budget setting meeting in February.

Earmarked Reserves

Earmarked reserves are all funds that have been identified for a specific purpose. The overall reserves level has reduced from £9.7m to £9.3m, with the detailed position in respect of the various earmarked reserves set out below:-

£m	As at 31/3/22	Transfers	As at 31/3/23	
Devolved Financial Management	0.250	0.025	0.275	Net carry forward of service surpluses and deficits to give greater flexibility in managing budgets.

PFI Reserves	5.279	(0.014)	5.265	This is used to smooth out the annual net cost to the Authority of both PFI schemes and will be required to meet future contract payments. The level of reserve required to meet future contract payments has been updated to reflect current and forecast inflation levels.
Insurance Aggregate Stop Loss (ASL)	1.050	-	1.050	The Authority has aggregate stop losses (ASLs) on both its combined liability insurance policy (£0.5m) and its motor policy (£0.3m). This reserve combined with amounts within the revenue budget, provides sufficient cover to meet 2 years' worth of the maximum possible claims, i.e. the ASL.
Fleet & Equipment	0.250	(0.235)	0.015	This reserve relates to wildfire PPE.
Prince's Trust	0.447	(0.092)	0.355	This reserve was established to balance short term funding differences and to mitigate the risk of loss of funding and enable short term continuation of team activities, whilst alternative funding is found.
Apprentices/ Graduates	0.078	-	0.078	This reserve was created from previous in-year underspend relating to the appointment of apprentices, which was delayed awaiting national developments. As such the reserve was set up to offset some of the costs that are incurred in future years, with the balance being met direct from the revenue budget. The flexibility this creates contributes to addressing apprenticeship targets, set by the Government, as well as addressing capacity issues within departments.
ESMCP	0.044	(0.027)	0.017	This reserve covers costs associated with the delivery of the Emergency Services Mobile Communication Programme (ESMCP), which are not met by the Home Office. As such usage in year reflects the shortfall between Government funding and the actual costs incurred in year.
Innovation Fund	0.500	0.002	0.502	This reserve was established to cover any unfunded developments that are identified which will improve service delivery, with any requests to utilise the fund requiring the approval of the Executive Board.

Section 21 Business Rate Relief Grant	1.101	(1.101)	-	In 20/21 the Government has provided Section 31 Rate Relief grant to individual billing authorities, to cover the additional in-year reliefs provided because of the pandemic, this was utilised in the 22/23 budget setting process.
Digital Transformation	0.242	0.037	0.279	This reserve was created in 20/21 to support training requirements and the digital transformation.
Specific Grant C/Fwd.	0.416	(0.108)	0.308	This reserve carries forward unspent specific grants provided in respect of <ul style="list-style-type: none"> • Protection Uplift Grant • Building Risk Review Grant • Grenfell Infrastructure Grant • Pensions Admin Grant • Efficiency Grant We anticipate utilising these funds in the new financial year.
Drill Tower Refurbishment	-	0.284	0.284	This relates to the Drill Tower replacement project that will now take place in 2023/24.
Pensionable allowances	-	0.550	0.550	Funding previously set aside to meet future potential pension liabilities.
ICT Hardware	-	0.196	0.196	Funding set aside from delayed ICT revenue expenditure that will be incurred in 23/24.
Various other ad hoc reserves	0.083	0.001	0.084	This balance covers various other smaller reserves for use in the medium term.
	9.743	(0.485)	9.258	

It is worth highlighting that a number of these reserves are short-term holding reserves and as such we anticipate, with the exception of the PFI reserve that related to contractual payments, drawing these down to £2m by 2024.

Capital Reserves and Receipts

Capital Reserves have been created from under spends on the revenue budget to provide additional funding to support the capital programme in future years; as such they cannot be used to offset any deficit on the revenue budget, without having a significant impact on the level of capital programme that the Authority can support.

Capital Receipts are generated from the sale of surplus assets, which have not yet been utilised to fund the capital programme.

The unused capital contribution of £2,671k has been added to Capital Reserves in addition to £9k generated from the sale of vehicles that has been added to capital receipts. As a result of this the Authority currently now holds £22.0m of capital reserves / receipts.

	Capital Reserves	Capital Receipts	Total
Balance at 31 March 2022	17.672	1.683	19.355
Capital receipts	-	0.009	0.009
Unused RCCO	2.671	-	2.671
Balance at 31 March 2023	20.343	1.692	22.035

The capital programme assumes this will be utilised by 2027.

Provisions

The Authority has two provisions to meet future estimated liabilities:-

- Insurance Provision, which covers potential liabilities associated with outstanding insurance claims; and
- Business Rates Collection Fund Appeals Provision, which covers the Authority's share of outstanding appeals against business rates collection funds, which is calculated each year end by each billing authority within Lancashire based on their assumptions of outstanding appeal success rates, as part of their year-end accounting for the business rates collection fund.

	Insurance Provision	Business Rates Collection Fund Appeals Provision	Total
Balance at 31 March 2022	0.592	0.854	1.446
Additional provision / (Utilised in year)	(0.053)	(0.193)	(0.246)
Balance at 31 March 2023	0.539	0.661	1.200

Summary

The overall position at year end shows the Authority (excluding draft North West Fire Control balances) holds £36.8m of reserves and provisions, at this level, the Treasurer believes these are adequate to meet future requirements in the medium term.

Financial Implications

As outlined in the report.

Business Risk Implications

The outturn report enables stakeholders to monitor how the Authority has performed financially in the year.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: N/a