



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

WORKING BALANCES AND REVIEW OF EARMARKED RESERVES

Report of the Chief Fire Officer

Agenda Item No:

Date: 22 February 2013

Purpose of Report:

To seek the approval of the Nottinghamshire and City of Nottingham Fire and Rescue Authority to the levels of working balances sufficient to meet the needs of the Authority during the 2013/14 financial year and beyond.

Following a review of earmarked reserves, to seek the approval of the Nottinghamshire and City of Nottingham Fire and Rescue Authority to the current earmarked reserves and to seek approval to an additional contribution to earmarked reserves in the 2012/2013 financial year.

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1. BACKGROUND

- 1.1 Members will be aware that the Fire & Rescue Authority holds a level of working balances to meet specific risks and liabilities arising from operations and activity.
- 1.2 It is always difficult to estimate the level at which reserves and balances should be maintained, however CIPFA guidance on the matter takes the form of Local Authority Accounting Panel Bulletin 77 (Appendix B) which sets out a number of specific risk areas that Financial Officers need to consider when setting the levels of balances.
- 1.3 As in previous years, a risk based approach has been taken to determine a reasonable level of balances. In accordance with this risk based approach, the level of balances required for 2013/2014 is £3.4m.
- 1.4 The external auditor's Governance Report 2011/2012 recommended that a full review of earmarked reserves take place, paying particular attention to dormant reserves, and rationalising or writing back reserves where appropriate to make the most of the flexibility offered by earmarked reserves. This review has taken place during the year.

2. REPORT

General Reserves

- 2.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 2.2 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
 - i) the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992 and section 85 of the Greater London Authority Act 1999)
 - ii) Treasurers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
 - iii) legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972 and section 95 of the Local Government (Scotland) Act 1973)
 - iv) the requirements of the Prudential Code

- v) Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
- 2.3. Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
 - 2.4. CIPFA and the Local Authority Accounting Panel do not accept that a case for introducing a generally applicable minimum level of reserves has been made. Local authorities, on the advice of their chief finance officers, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well managed authority will ensure that the reserves are not only adequate but also are necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.
 - 2.5. A full review of the risk assessment applicable to balances has recently been carried out by the Authority's Risk Manager and Principal Accountant and the result of this risk assessment is given at Appendix A. This enables Members to see the key risks to which the Service is exposed and their estimated possible financial impacts.
 - 2.6. There are three main categories of risk shown in the assessment: the risk of legal action being taken against the Authority, resulting in a financial loss; the risk of financial loss arising specifically from financial activities and operational risks which could lead to financial loss. Where risks have been identified, control measures are in place to minimise either the likelihood or the impact of the risk and these are also shown in Appendix A.
 - 2.7. The approach has examined each of the risk exposures and considered both the possible financial impact on the Service and the likelihood of occurrence. A risk factor has been allocated to each risk reflecting the likely frequency of occurrence of the risk based on history and professional judgement. It should be noted that the underlying assumption is that not all of these risk events will occur simultaneously and, to reflect this, the potential value of each financial impact is multiplied by its risk factor.
 - 2.8. The approach also considers the extent to which these financial risks can be transferred to the private sector by way of insurances, thus creating a balance between insured and self-financed risk. Where insurances are in place, the risk value reflects the level of deductible within the insurance policy.

- 2.9. Residual risk is the extent to which the Authority remains exposed to risks which are neither insured nor provided for within revenue budgets or balances. The level of acceptable residual risk is usually referred to as the “risk appetite” of the Service. The Authority has already determined that it wishes to adopt a low risk appetite and therefore the estimated levels of balances reflect this position.
- 2.10. The risk assessment review identified some changes in risks, both in terms of additional risks identified and the increase (or sometimes decrease) in the potential costs of existing risks. The frequency of risk occurrence has also been reviewed in the light of another year of experience.
- 2.11. The updated risk assessment shows that an appropriate level of working balances should remain at £3.4m – although there have been changes in the risks, the overall risk value has remained fairly constant.
- 2.12. As stated above the External Auditors have no role in determining the level of balances and reserves to be held. They will however seek assurances that the Authority has determined its levels of balances using some risk based approach. Auditors may then comment as to whether an Authority has exceeded its planned levels of balances (thereby resulting in an opportunity cost) or failed to achieve them.
- 2.13. The projected level of balances by 31st March 2013 is of the order of £8m which is considerably higher than the £3.4m required. The budget report (elsewhere on this agenda) recommends that in 2013/2014 £2m of general reserves be used to finance capital expenditure as a way of reducing ongoing revenue implications of capital expenditure. In 2014/15, the budget report shows that around £1m of general reserves will be required to support a balanced budget, regardless of which option is accepted in respect of council tax. This will leave reserves at the level of circa £5m by the end of 2014/15.
- 2.14. It is appropriate to assure Members in this report that the level of balances to be held by the Authority will be sufficient to cover the risk based liabilities which may arise and the Treasurer will report on this as part of his duties under Section 25 of the Local Government Act 2003.

Earmarked Reserves

- 2.15 In addition to general reserves the Authority holds a number of earmarked reserves which are funds put aside to meet future items of expenditure. They may also have arisen from grants or donations which have been received in anticipation of activities to be undertaken at a future date and therefore held on the balance sheet as earmarked reserves.
- 2.16 The external auditor’s Governance Report 2011/12 recommended that a full review of earmarked reserves be undertaken with a view to rationalising or writing back reserve balances if required. This review was undertaken in the year with the assistance of budget managers, and the end results are shown in Appendix C.

- 2.17 The total value of earmarked reserves at 31 March 2012 was £3,761k. During the period up to the end of December 2012 £730k of these reserves had been spent. As a result of the review a total of £169k will be removed from earmarked reserves and written back to the revenue budget – this will have the effect of increasing the current revenue budget underspend by £169k.
- 2.18 There are two instances of reserves being amalgamated as a result of the review because the purposes for which the funding had originally been set aside were very similar. The balance of Fire Prevention Grant (non-ring-fenced grant) has been added to the Community Safety Innovation Fund, to be used for pump-priming new fire prevention initiatives carried out either by NFRS employees or by our partners. In addition a £20k Fire Control project research grant (non-ring-fenced grant) has been added to the Fire Control Transition earmarked reserve. This will be used to fund revenue costs falling outside of the scope of the Tri-Service Control project.
- 2.19 It is proposed that the reserve for Arson Task Force (£155k) is used to fund the training and equipment requirements of three new Fire Investigators to be appointed in 2013/14. The balance on the reserve would be spent on education materials relating to fire investigation to enable training of operational staff and greater engagement with partners to assist in the reduction of deliberate fires. Members are asked to approve this change of use.
- 2.20 It is estimated that a further £184k will be spent from earmarked reserves by the end of the financial year. This will result in a total value of £2,678 for earmarked reserves. Members of the Fire Authority are requested to approve the list of earmarked reserves as shown in Appendix C.
- 2.21 The Fire Control Transition reserve was originally created to help fund the regional FiReControl project. After this project was cancelled, the reserve remained in place to support the ensuing Tri-Service Control project. This latter project is largely funded by a capital grant from the Department for Communities and Local Government, which will cover most of the cost of procuring and implementing a regional mobilising system, nevertheless there are some costs which will fall to the Authority to fund not least because the grant awarded was less than the sum bid for. In addition, the tender evaluation has not yet taken place so the cost of the system is, as yet, unknown. The potential need to increase the level of this earmarked reserve was reported to the Finance and Resources Committee in January and it was proposed that an additional £500k be added to this reserve to cover both the costs outside of the project scope and also to provide a contingency sum.

3. FINANCIAL IMPLICATIONS

- 3.1 The maintenance of adequate working balances is a legal requirement under S27 Local Government Act 2003, and the Authority's Treasurer is charged with determining the adequacy of those balances or as they are described in the Act, the "Controlled Reserve".

- 3.2 The risk assessment demonstrates that the level of balances should be in the order of £3.4m.
- 3.3 The level of earmarked reserves as at 31 March 2013 is forecast to be in the region of £3,178k if Members approve the recommendations 9.3, 9.4 and 9.5 below.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for human resources or learning and development arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report relates entirely to accounting matters.

6. CRIME AND DISORDER IMPLICATIONS

There are no implications for crime and disorder arising from this report.

7. LEGAL IMPLICATIONS

The legal implications and requirements are set out in full within the report.

8. RISK MANAGEMENT IMPLICATIONS

The risk management implications are set out in full in the report and in Appendix A.

9. RECOMMENDATIONS

- 9.1 That Members note the results of the review of risks shown at Appendix A.
- 9.2 That Members approve the proposed minimum level of balances of £3.4m.
- 9.3 That Members approve the change of use of the earmarked reserve from Arson Task Force to Fire Investigation, as detailed in paragraph 2.20.
- 9.4 That Members approve the earmarked reserves as shown in Appendix C.
- 9.5 That Members approve the addition of a further £500k to the Fire Control Transition earmarked reserve in this financial year as detailed in paragraph 2.21.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

WORKING BALANCES RISK ASSESSMENT						APPENDIX A		
Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget	
Discrimination cases	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	N	1,300,000	0.25	325,000	0	
Unfair Dismissal cases	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	N	84,000	0.5	42,000	0	
Compromise Agreements / Termination settlements	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	N	100,000	1.5	150,000	0	
Case for damages brought against the Authority	Reputational damage; Legal costs, Damages unbudgeted	Policies, procedures, management training, legal advice, procurement advice	Y/N	1,000,000	0.3	300,000	0	
Appoint independent investigator at request of elected Members	Cost of paying investigators	Policies, procedures, management training, legal advice, procurement advice	N	30,000	1	30,000	0	
Discretionary Compensation scheme		Professional HR advice, policies, procedures, management training, legal advice	N	120,000	0.5	60,000	0	
Equal pay claims	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice, equal pay audit	N	70,000	0.1	7,000	0	
Injury Compensation Scheme awards above level budgeted for	Additional costs	Policies and procedures, training etc to reduce likelihood of injury	N	50,000	4	200,000	0	
Emergency reputation management following any of the above risks	Additional costs	Policies, procedures, management training, legal advice, procurement advice	N	20,000	0.2	4,000	0	

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Ill health retirements higher than number budgeted for	Additional costs	Professional HR advice, policies, procedures, management training, legal advice, earmarked reserve (but will require top up)	N	30,000	1	30,000	0
Loss of one or more key personnel	Disruption, temporary cover	Documentation of key procedures and systems; succession planning	N	40,000	1	40,000	0
Local/national industrial dispute	Potential loss of service; risk of non compliance with statutory duties and ensuing legal case / fines; selective industrial action may not result in sufficient underspend to cover additional costs	Maintain adequate contingency	N	150,000	1	150,000	0
Non compliance with environmental legislation - support for legal proceedings	Cost of responding to enforcement action	Acquisition of permits / licences; planned drainage works; site risk profiles	N	70,000	0.25	17,500	0
Negligent fire safety work	Litigation	Training, procedures, effective SLA's with an appropriate allocation of liabilities	Y	10,000	0.3	3,000	0
Increase in numbers of vulnerable people due to economic climate	Loss of council tax precept income, additional cost of fire prevention activity	No controls in place	N	200,000	0.5	100,000	0
Change in legislation / regulations	Loss of use; cost of modifications and replacements	Continuous review process	N	100,000	0.1	10,000	0
Unforeseen general change in legislation	Increased costs of working due to doing more or doing things differently	Awareness	N	50,000	0.2	10,000	0
Risk to health, safety & welfare of employees	Litigation; legal costs & staff absence	Operating procedures; training; written safety policy; risk assessments	Y	10,000	3	30,000	0

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
HSE Enforcement Notices	Cost of remedial measures; cost of fine	Operating procedures; training; written safety policy; risk assessments	N	20,000	0.1	2,000	0
Reignition or other negligence	Reputational, financial	Operating procedures	Y	10,000	1	10,000	0
Breach of security	Loss of confidential data; Information Commission fines	Security measures	N	100,000	0.3	30,000	0
Discovery of major property structural problem that restricts / prevents use of all or part of building(s)	Loss of use; cost of repair; impairment to operational effectiveness	Continuity plans, repair and refurbishment programme	P	1,000,000	0.01	10,000	0
Fire, flood or other peril	Loss of use; cost of repair; impairment to operational effectiveness	Continuity plans, repair and refurbishment programme	Y	250	0.2	50	0
Theft of assets	Disruption	Safety procedures	Y	250	2	500	0
Own damage	Disruption	Risk management	Y	250	1	250	0
Serious injury to public	Reputation, cost, staff time	Training and procedures	Y	10,000	0.1	1,000	0
Damage to vehicle	Loss of use; cost of repair; replacement vehicle hire; lease extensions	Road Transport Group - review of road risk; training; inclusion of vehicle safety options	Y	1,000	100	100,000	35,000
Appliance written off in an accident	Loss of use; insurance receipt may not cover cost of replacement	Road Transport Group - review of road risk; training; inclusion of vehicle safety options	Y	100,000	0.5	50,000	0

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Multiple appliances written off in major incident (maximum 2 appliances)	Loss of use; insurance receipt may not cover cost of replacement; appliance degradation enacted; impact on service delivery; impact on appliance replacement programme	Training and procedures; appliance degradation procedure	Y	200,000	0.1	20,000	0
Vehicle incident resulting in injury to public	Reputation, cost, staff time	Training and procedures	Y	250	1	250	0
Major vehicle defect (affecting part of fleet)	Loss of use; cost of rectifying defect if beyond warranty	None	N	75,000	0.2	15,000	0
Unforeseen increase in fuel prices	Increased costs	None	N	70,000	1	70,000	0
Major defect	Loss of use; cost of modifications and replacements	Inspection routines	N	100,000	0.5	50,000	0
Major fraud	Financial loss	Internal control	Y	5,000	0.1	500	0
Higher than expected pay awards	Large hit on pay contingency	Maintain adequate general contingency	N	658,000	1	658,000	0
Significant change in interest rates	Increased costs / loss of income	Prudential code and treasury management indicators	N	120,000	1	120,000	0
Unforeseen indirect impacts of changes to pension regulations	Potential additional NI costs, potential increased membership so employers' superannuation costs etc.	Monitor ongoing consultations etc and budget for likely impacts as soon as clear	N	100,000	0.3	30,000	0
Business failure of bank or investment counterparty	Loss of working capital or investment funds up to £2m	Treasury management strategy, risk analysis of investment options and counterparties	N	2,000,000	0.1	200,000	0

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Failure of counterparty to purchase fixed asset for sale	Loss of capital receipt to be used to finance capital programme, or contribute towards required savings – financial loss	Legal advice for major contracts and due diligence including risk analysis of prospective purchasers	N	2,000,000	0.2	400,000	0
Major CBRN / terrorist incident	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	N	92,000	0.3	27,600	0
Natural disasters	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	N	92,000	0.5	46,000	0
Multiple large incidents	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	N	92,000	0.5	46,000	0
Hot or dry summers	Increased retained call-outs	None	N	150,000	0.33	49,500	0
Loss of income from services to Trading Company	Reduced income for service	Budget monitoring and forecasting	N	47,970	0.5	23,985	0
TOTALS				10,477,970		3,469,135	35,000

Minimum level of General Reserve 2013/14

£3,434,135



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LOCAL AUTHORITY RESERVES AND BALANCES

AT THE HEART OF
PUBLIC SERVICES 

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BACKGROUND

1. LAAP Bulletin 55 (Guidance note on local authority reserves and balances) was issued in February 2003. Since that bulletin was issued, a number of changes have occurred, including the publication of the Prudential Code. External factors such as the flooding in 2007 and 2008, and the problems experienced by the global financial markets in 2008 have highlighted the importance for authorities of maintaining appropriate levels of reserve. This bulletin updates the guidance given in LAAP Bulletin 55 in light of these developments. The "New Reporting Framework" described in LAAP Bulletin 55 has now largely been overtaken by statutory requirements, but is included in Appendix A for information.

PURPOSE

2. This bulletin provides guidance to local authority chief finance officers in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances. The guidance represents good financial management and should be followed as a matter of course.

APPLICATION

3. In England, Scotland and Wales the guidance is applicable to local authorities, police authorities, fire and rescue authorities¹, joint committees and joint boards of principal authorities. In Northern Ireland the guidance applies to all district councils. This bulletin replaces LAAP Bulletin 55 issued in February 2003.
4. The general principles set out in this guidance apply to an authority's General Fund and, where appropriate, to the Housing Revenue Account.
5. The advice in this bulletin relates to reserves, not provisions. The SORP definitions of provisions and reserves are included in Appendix B for information.

LEGISLATIVE / REGULATORY FRAMEWORK

6. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Section 93 of the 1992 Act requires Scottish authorities, in calculating the council tax, to take into account 'any means by which those expenses may otherwise be met or provided for'. This includes reserves.
7. In England and Wales, earmarked reserves remain legally part of the General Fund, although they are accounted for separately. In Scotland there are explicit statutory powers under schedule 3 of the Local Government (Scotland) Act 1975 permitting certain local authorities to establish a renewal and repair fund, an insurance fund and a capital fund alongside a requirement, as in England and Wales, to maintain a general fund (section 93 of Part VII of the Local Government (Scotland) Act 1973). Separate earmarked reserves can be established in Scotland only where there are explicit statutory powers. Scottish local authorities may however ' earmark ' specific parts of the General Fund reserve. LASAAC has published guidance on reserves which is available from the LASAAC website. In Northern Ireland, section 56 of the Local Government Act (Northern Ireland) 1972 enables councils to maintain a capital fund and a renewal and repairs fund in addition to the district fund.

¹ Application for Fire and Rescue Authorities in Wales is less clear at present. These authorities should discuss this bulletin with their external auditors before placing reliance on its contents.

8. There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
- the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992 and section 85 of the Greater London Authority Act 1999)
 - chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
 - legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972 and section 95 of the Local Government (Scotland) Act 1973)
 - the requirements of the Prudential Code
 - auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
9. These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief finance officer in England and Wales to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider the s114 notice and ***during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.***
10. Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
11. CIPFA's Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. The requirement for three year revenue forecasts across local authorities, coupled with three year grant settlements ensures there is a focus on the levels and application of local authority balances and reserves.

ROLE OF THE CHIEF FINANCE OFFICER (PROPER OFFICER IN SCOTLAND)

12. Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer (proper officer in Scotland) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
13. CIPFA and the Local Authority Accounting Panel do not accept that a case for introducing a generally applicable minimum level of reserves has been made. Local authorities, on the advice of their chief finance officers, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances

vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well managed authority will ensure that the reserves are not only adequate but also are necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

14. Imposing a generally applicable minimum level would also run counter to the promotion of local autonomy and would conflict with the financial freedoms introduced for English and Welsh local authorities in the Local Government Act 2003 and for Scottish authorities in the Local Government in Scotland Act 2003. Nor is it considered appropriate or practical for CIPFA, or other external agencies, to give prescriptive guidance on the minimum (or maximum) level of reserves required, either as an absolute amount or a percentage of budget.
15. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty. This accords with CIPFA's view that a generally applicable minimum level is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice (including the guidance in this bulletin).

TYPES OF RESERVE

16. When reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
 - a means of building up funds, often referred to as earmarked reserves (or earmarked portion of the general fund in Scotland - see below), to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.
17. As detailed in paragraph 7 above reserves can be established in Scotland only where there are explicit statutory powers. Schedule 3 of the Local Government (Scotland) Act 1973 (as amended) permits certain Scottish local authorities to establish a renewal and repair fund, an insurance fund and a capital fund (including capital receipts). Scottish local authorities may ' earmark ' specific parts of the General Fund reserve. Some common examples of established earmarked reserves (earmarked portions of the general fund in Scotland) are listed below (the list is not exhaustive):

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future accounting periods, it is prudent to set aside resources in advance
Insurance reserves (note that the Insurance Fund is a statutory fund in Scotland)	Self-insurance is a mechanism used by a number of local authorities. In the absence of any statutory basis (other

	than in Scotland) sums held to meet potential and contingent liabilities are reported as earmarked reserves where these liabilities do not meet the requirements of FRS12
Reserves of trading and business units	Surpluses arising from in-house trading may be retained to cover potential losses in future years, or to finance capital expenditure
Reserves retained for service departmental use	Authorities may have internal protocols that permit year-end underspendings at departmental level to be carried forward
School balances	These are unspent balances of budgets delegated to individual schools

18. Local authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves, which are not resource-backed and cannot be used for any other purpose, are described below:

- The Pensions Reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes’ requirements and the net change in the authority’s recognised liability under FRS 17 – Retirement Benefits, for the same period. An appropriation is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation.
- The Revaluation Reserve - this is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of.
- The Capital Adjustment Account - this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system.
- The Available-for-Sale Financial Instruments Reserve – this is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.
- The Financial Instruments Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.
- The Unequal Pay Back Pay Account - this is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required by statute to be met from the General Fund. This account is not applicable to Scotland.
- The Major Repairs Reserve (England and Wales) - this reserve records the unspent balance of HRA subsidy paid to housing authorities in the form of the Major Repairs Allowance.

19. Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation.
20. In addition authorities will hold a Capital Receipts Reserve (Capital Fund in Scotland). This reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with regulations.
21. For each earmarked reserve (earmarked portion of the general fund in Scotland) held by a local authority there should be a clear protocol setting out:
- the reason for / purpose of the reserve (required by paragraph 3.99 of the SORP);
 - how and when the reserve can be used (required by paragraph 3.99 of the SORP);
 - procedures for the reserve's management and control; and
 - a process and timescale for review of the reserve to ensure continuing relevance and adequacy.
22. When establishing reserves, local authorities need to ensure that they are complying with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.

PRINCIPLES TO ASSESS THE ADEQUACY OF RESERVES

23. In order to assess the adequacy of unallocated general reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority. Where authorities are being reorganised, this assessment should be conducted on the basis that the services will continue to be provided, and adequate reserves will therefore be required by successor authorities. The assessment of risks should include external risks, such as flooding, as well as internal risks. In England and Wales, the Accounts and Audit Regulations require authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control', which will include risk management. The CIPFA/SOLACE framework *Delivering Good Governance in Local Government* details an approach to giving assurance that risk, control and governance matters are being addressed in accordance with best practice.
24. The Codes of Audit Practice in England, Wales, Scotland and Northern Ireland make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management.
25. Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget and financial strategy alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget Assumptions	Financial Standing and management
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc.). Recent rises in the prices of some commodities, e.g.

	fuel, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Recent volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium term plans. Authorities will also need to take into account changes in the property market, and adjust estimates and assumptions for reserves accordingly.
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.
The treatment of planned efficiency savings / productivity gains	The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.
The general financial climate to which the authority is subject	External factors, such as future funding levels expected to be included in Spending Reviews and expected capping criteria, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves.

Whilst many of these factors relate to setting the annual budget, the level of risk and uncertainty associated with these factors will be relevant in determining an appropriate level of reserves.

26. Recent events such as the floods that occurred during the summers of 2007 and 2008 have emphasised the need for authorities to be prepared for major unforeseen events. Adequate insurance cover combined with appropriate levels of reserves will enable authorities to manage the demands placed on them in such circumstances. However, these arrangements need to take account of all possible scenarios. An example quoted in the Audit Commission report "Staying Afloat" is that the total cost of the flooding was reduced where authorities had specifically considered the impact of a wide scale, serious event affecting many assets, and had taken appropriate action, for example, negotiating insurance policies that capped the total excesses linked to one event.

27. Emergency financial assistance from central government may be available to assist authorities in dealing with the immediate consequences of major unforeseen events, normally under the Emergency Financial Assistance to Local Authorities scheme (commonly known as the 'Bellwin' scheme). However, there is no automatic entitlement to financial assistance, and where financial assistance is given, it will not cover all of the costs even in exceptional circumstances. Further details of the scheme are available on the relevant government web sites (links can be found in paragraph 37 of this bulletin). Authorities should plan to have access to sufficient resources (through reserves, insurance or a combination) to cover the costs of recovering from events that are likely to be unavoidable. Alternative arrangements, for example mutual aid agreements, may help to reduce the reliance on reserves or insurance. The Pitt Review into the 2007 floods, although specifically focused on England, will be of relevance to all local authorities. This recommended that "Local authorities should continue to make arrangements to bear the cost of recovery for all but the most exceptional emergencies, and should revisit their reserves and insurance arrangements in light of last summer's floods." The Government's position remains that it is primarily the local authority's responsibility to bear such costs, and authorities should note this position when considering the appropriate level of reserves.
 28. When considering the level of reserves, it would be appropriate for authorities to take into account the likely level of Government support that would be available, and to consider how the balance would be funded in the event of an unforeseen event occurring. However, both the Pitt Review and Staying Afloat noted that most central government assistance provided to local authorities in relation to the 2007 floods was ad hoc in nature. The government has been keen to stress that they should not be seen as setting a precedent and should not be relied on in the future. Authorities will therefore need to make their own assessments of the likely level of support.
 29. Flooding is only one example of an external risk which local authorities may need to take into account in setting levels of reserves and wider financial planning. This bulletin refers to flooding purely as an example of a recent unforeseen event. An assessment of external risks should range more widely.
 30. Part of the risk management process involves taking appropriate action to mitigate or remove risks, where this is possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.
 31. The difficulties experienced by financial institutions in 2008 due to the problems experienced by the global financial markets have meant that many local authorities were exposed to potential financial losses on their investments. At the time of preparing this bulletin, it was unclear whether a loss would arise, and if so whether authorities would be able to recoup their losses, either from the institutions themselves or by means of compensation. If losses occur that cannot be recouped, authorities' reserves will come under more pressure, either as they are drawn upon to cover the losses, or as the funding required to replenish reserves is diverted to covering the investment losses.
 32. There may be other consequential impacts as well. For example, the difficulties experienced by financial institutions may result in authorities investing in only institutions with the highest credit ratings (unless Government guarantees are available). This may result in lower levels of investment income being generated, which in turn may put reserves and budgets under more pressure. Whilst such changes in an authority's actions should arise from a review of its treasury management policy in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice, the impact of any changes will need to be taken into account when considering budgets.
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33. Flooding and the effects of the problems experienced by the global financial markets are examples of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning. An assessment of external risks should not be limited to those two issues, but should range more widely, to take account of all significant external risks identified through the authority's risk management processes.
34. 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 percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority.
35. The advice should be set in the context of the authority's risk register and medium term plans and should not focus exclusively on short-term considerations. 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. 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. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term.
36. The SORP requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. It is recommended that a review of the level of earmarked reserves be undertaken as part of annual budget preparation.

FURTHER INFORMATION

37. The Pitt Review can be downloaded from:

http://www.cabinetoffice.gov.uk/thepittreview/final_report.aspx

Staying Afloat can be downloaded from:

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=FE7A55D1-B7D7-4746-B27D-A665ECB07DED>.

Both reports provide additional advice to local authorities on planning for and managing the financial impacts of exceptional events.

LASAAC Guidance on Reserves in Scotland can be downloaded from:

http://www.cipfa.org.uk/scotland/technical/lasaac_guidance.cfm

Details of the Emergency Financial Assistance (Bellwin) Scheme can be downloaded from:

<http://www.local.communities.gov.uk/finance/bellwin.HTM>

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/Bellwin>

<http://www.wales.gov.uk/localgovernment> (English)

<http://www.cymru.gov.uk/llywodraethlleol> (Welsh)

Extract from LAAP Bulletin 55

7 A New Reporting Framework

- 7.1 The finance director has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 7.2 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the finance director. To enable the Council to reach its decision, the finance director should report the factors that influenced his or her judgement, and ensure that the advice given is recorded formally. Where the finance director's advice is not accepted this should be recorded formally in the minutes of the council meeting.
- 7.3 It is recommended that:
- the budget report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure
 - this should be accompanied by a statement from the finance director on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy
 - a statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.
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Extracts from SORP 2008

Provisions

3.86 Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

3.87 Provisions are required to be recognised when:

(i) the local authority has a present obligation (legal or constructive) as a result of a past event

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation,

and

(iii) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

3.88 A provision should be recognised when the local authority has a contract that is onerous, ie the unavoidable costs of meeting the obligations under it exceed the economic benefit/service potential expected to be received under it.

3.89 The costs of internal and external restructuring should only be recognised as a provision when the local authority has a constructive obligation to restructure, ie there is an approved and detailed formal plan and the authority has raised a valid expectation in those affected that it will carry out the restructuring either by starting to implement the plan or by announcing its main features to those affected by it.

3.90 A restructuring provision should include only the direct expenditures arising from the restructuring, which are those that are both:

(i) necessarily entailed by the restructuring, and

(ii) not associated with the ongoing activities of the entity, for example retraining or relocating continuing staff.

3.91 Provisions should not be recognised for future operating losses.

3.92 Provisions should be charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they should be charged direct to the provision. The amount recognised as a provision should be the best estimate taking into account the risks and uncertainties surrounding the events.

3.93 Provisions should be reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

3.94 Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognised only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement should be treated as a separate asset. The amount recognised for the reimbursement should not exceed the amount of the provision.

3.95 In the appropriate revenue account the expense relating to a provision may be presented net

of the amount recognised for a reimbursement.

Reserves

3.99 Amounts set aside for purposes falling outside the definition of provisions should be considered as reserves, and transfers to and from them should be distinguished from expenditure disclosed in the Income and Expenditure Account. Scottish and Northern Irish authorities may only create reserves where there is a statutory power. Expenditure should not be charged direct to any reserve. For each reserve established, the purpose, usage and

the basis of transactions should be clearly identified. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

APPENDIX C

EARMARKED RESERVES FOLLOWING REVIEW 2012/13

Name of Reserve	Original Funding Source	Earmarked Reserve @ 31/12/12 £000's	Amounts to be Written Back 2012/13 £000's	Rationalisation of Reserves 2012/13 £000's	Forecast Expenditure to 31/03/13 £000's	Forecast Balance on Reserve @ 31/03/13 £000's	Earmarked Reserve Review Notes
LPSA Reward Grant	G / D	-395	0			-395	£100k to be spent on domestic sprinkler campaign (£37k in 2012/13 and the remainder in 2013/14).
Bendigo Project	G / D	-9	9			0	Balance is no longer required - write back to Revenue
FireSetters	G / D	-28				-28	This reserve will be used for the Firesafe project.
Fire Investigation (was Arson Task Force)	G / D	-155				-155	This reserve is to be used to fund the training and equipment requirements of 3 new Fire Investigators to be appointed in 2013/14. Part of the reserve will also be spent on education materials relating to fire investigation to enable training of operational staff and greater engagement with internal and external partners in order to assist in the reduction of fires
Safe as Houses	G / D	-22			22	0	To be used to pay Framework to fit fire alarms in the City area in 2012/13
Community Safety Innovation Fund	G / D	-31		-173		-204	The Innovation Fund is to be used to 'pump-prime' new ideas and fund trial projects in the area of community safety. A new budget holder has taken over this year.
Resilience Crewing & Training	G / D	-158				-158	This earmarked reserve has built up over a number of years because the grant funding from DCIG for New Dimensions training is never fully spent in the year. It is expected that this reserve will increase further at the end of 2012/13. However it continues to be used to fund training and other costs associated with the High Volume Pump and the Incident Response Unit.
Thoresby Estate Charitable Trust	G / D	-5				-5	This reserve will continue to be used to promote Firework and Bonfire Safety in the Newark and Sherwood District. This involves working with partners, schools and the community
Area 4 Committee	G / D	-1				-1	This reserve will be spent on fitting atomiser units / automatic door closures in the homes of vulnerable people in the Bestwood area (area 4). It is expected to be spent within 2013/14.
Donations for North Group Community Safety	G / D	0				0	This reserve will be used in 2013/14 to pay for the hire of the Lincolnshire Road Safety Partnership demonstration car. This is used in the "Fatal Four" programme targeted at 17 to 24 year olds.

Name of Reserve	Original Funding Source	Earmarked Reserve @ 31/12/12	Amounts to be Written Back 2012/13	Rationalisation of Reserves 2012/13	Forecast Expenditure to 31/03/13	Forecast Balance on Reserve @ 31/03/13	Earmarked Reserve Review Notes
Fire Prevention Grant	G / D	-173		173		0	This reserve has been amalgamated with the Community Safety Innovation Fund
Vodafone Donation	G / D	-1				-1	This reserve is to be used for purchasing scrap cars for vehicle rescue demonstrations to the community. This also forms part of the "Fatal Four" programme
Enhanced Command Support	G / D	-140				-140	This reserve has accumulated from previous years when grant funding has not been fully spent in the year. Expenditure which was previously funded by this grant is currently being funded by Enhanced Logistical Support Grant, which is a one-off grant. This reserve will therefore need to be retained to fund future expenditure after the ELS grant has expired.
Migration Impacts Fund	G / D	-16	16			0	This grant was used to fund an agency worker and this is the residue sum. The balance is to be written back to revenue
Safe as Houses - Safety Equipment	G / D	-3				-3	This reserve will be spent in 2013/14 on Sprinklers in the City area.
New Burdens FireControl Grant	G / D	-8			1	-7	Almost all of the surplus New Burdens grant arising from the FireControl project was returned to CLG. This sum has been retained to cover the salary protection of a former Fire Control operator who was redeployed following the cancellation of the project. Any balance remaining once salary protection ends can be written back to revenue (expected to be in 14/15).
Fire Control New Project Research	G / D	-20		20		0	This reserve has been amalgamated with the Fire Control Transition Reserve
Community Safety within Bassetlaw	G / D	-6				-6	This reserve will be used to "pump prime" a new youth engagement project aimed at reducing anti-social behaviour in the Worksop area. The details of the project are still being worked on so this reserve will not be used until 2013/14
Gedling Donation	G / D	-3	3			0	This donation was never spent and is to be returned to the South Nottinghamshire Partnership who will spend the money on the intended purpose.
New Risks Programme DCLG	G / D	-17			15	-2	It is expected that this grant income will be fully spent by the end of 2012/13 or shortly thereafter.
Enhanced Logistical Support DCLG	G / D	-45			40	-5	It is expected that this grant income will be fully spent by the end of 2012/13 or shortly thereafter.

Name of Reserve	Original Funding Source	Earmarked Reserve @ 31/12/12	Amounts to be Written Back 2012/13	Rationalisation of Reserves 2012/13	Forecast Expenditure to 31/03/13	Forecast Balance on Reserve @ 31/03/13	Earmarked Reserve Review Notes
Pensions Ill Health	RU	-250	100			-150	This reserve will be reduced as experience is showing that ill health retirements are declining in number and the revenue budget for these is usually sufficient or underspent. However this reserve would cover any RDS ill health retirements which have occurred in the past. If this reserve is insufficient then general reserves would have to be used.
On Fire Fund - Fire Safety	RU	-146			8	-138	Reserve will continue to be used to allocate grants to voluntary sector organisations for projects with positive outcomes for community safety and will be expanded to include Housing providers. It is expected that £138k of the reserve will be left by 31/03/13
Princes Trust	RU	-146				-146	This reserve has accumulated from Princes Trust surpluses over the past three years. It is a contingency which can be used to fund any additional costs arising from activities. It is also set aside to fund potential redundancy payments if Princes Trust activity was to cease.
Fire Control Transition	RU	-360		-20		-380	A number of costs which will probably fall outside of the scope of the Tri-Service Control project have been identified. This reserve will fund these costs and CMB has agreed that an additional £500k be added to the reserve at the end of 2012/13
Agresso Development	RU	-30			4	-26	This reserve is required to pay for Agresso developments which cannot be done in-house and require consultancy time to be purchased. It is expected that some will be spent in 2012/13 on the interface between Agresso and the new SAP Payroll system. Some has already been spent this year on an agency worker who has supported regional developments.
Training BCM & Values	RU	-11				-11	This reserve is to fund the cost of training middle and supervisory managers in Business Continuity Management and is still required. The spending has been delayed due to sourcing a training provider but will be spent in 2013/14..

Name of Reserve	Original Funding Source	Earmarked Reserve @ 31/12/12	Amounts to be Written Back 2012/13	Rationalisation of Reserves 2012/13	Forecast Expenditure to 31/03/13	Forecast Balance on Reserve @ 31/03/13	Notes
ICT Sharepoint/Internet/intranet	RU	-97				-97	Whilst it has been necessary following re-structure to delay this project to the latter part of the financial year, a start has been made with the installation of a new SharePoint 2010 platform. This provides compatibility with other recently installed Office systems. The next phase will include building of new team sites to reflect our new structure. The project will be ongoing as part of our strategy to re-organise and improve our information storage, retrieval and document management provision. This will also allow the start of business process automation, and will coincide as required, with Tri-Service and HR Project requirements. The majority of the spending will be in the next financial year 2013-2014.
Name of Reserve							Earmarked Reserve Review Notes
Breathing Apparatus	RU	-30				-30	To be spent on Telemetry in 2013/14. The delay is due to awaiting the publication of a review by CFOA.
Specialist Rescue Team	RU	-15	1		14	0	This reserve is held as a contingency for SRT equipment in case there are any unanticipated requirements. Some of the reserve is expected to be used by the end of 2012/13 on new dry suits and flood response equipment.
Consultancy Estates	RU	-96				-96	This reserve will be spent by the end of 2013/14 on consultancy work in respect of feasibility studies etc. for the forthcoming property strategy
Environmental Improvements - Estates	RU	-52				-52	Some of this reserve may be spent in 2012/13. The rest of reserve is expected to all be spent by the end of 2013/14
Minor Works	RU	-7			6	-1	This reserve is expected to all be spent by the end of 2012/13 or shortly thereafter
Equal Pay	RU	-20	20			0	An equal pay review is carried out by external consultants every 3 years. This reserve is required to be retained to fund any recommendations arising from reviews.
Scania Flowmeters	RU	-7			7	0	This reserve is required to purchase equipment for the annual testing and calibration of flowmeters on Appliances. This is likely to be spent before the end of 2012/13
Fire Cover Review Consultation	RU	-20	20			0	This reserve could be written back to revenue as additional consultation costs have been budgeted for in 2013/14.
Capital Reserve	RU	-381			68	-313	This reserve is to be used to fund capital expenditure which has not been included in the capital programme. F&R Committee approval is required for such capital variations. Approx. £68k may be used in 2012/13 to fund the purchase of an ALP off lease (unless this can be funded from revenue contributions).

UKRO Competition	RU	-4									-4	Keep reserve in place to fund entry fees for staff attending competition
Organisational Transition One-Off Costs	RU	-120									-120	The remainder to be used to fund voluntary redundancies. It is expected that it will all have been spent by the end of 2013/14
Swan Project Ashfield	RU	-5									-5	Part of this reserve has already been spent on this pond project, which supports education on water, safety and nature. Further monies will be spent on creating smooth pathways to make the pond accessible for disabled people.
TOTAL		-3,032	169	0	184						-2,678	

Key: G/D = Grant or Donation; RU = Revenue Underspend