APPENDIX D

SCHEDULE OF RESERVES AS AT 31ST MARCH 2017 AND PLANNED USE 2017/18 to 2022/22

Description and how reserve supports the authority's strategy to deliver good quality services	Status of reserve	Balance at 31/3/2017	Contribution from 2017/18 Managed Under Spend, Collection fun surplus and reserve transfers	Balance after 2017/18 underspend	Planned Use of Reserves						Balance Allocated to Manage Ongoing Risk
					2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Capital Reserves											
Capital Investment Programme	Contractually committed	5,176	750	5,926	(4,177)	(1,199)	0	(250)	0	(300)	**0**
This reserve will be used to partly fund the Authority's approved Asset Management Plan which is designed to address operational requirements covering the Authority's buildings, including Fire Stations and the operational fire fighting and rescue vehicles. Expenditure on the Authority's buildings will ensure facilities meet operational requirements detailed in the Integrated Risk Management Plan, thereby ensuring the Authority has the buildings it needs to deliver good quality services to the public. This investment will remove back log maintenance requirements, which if not addressed would result in higher longer terms costs, which would not be an effective use of public resources. Expenditure on operational vehicles will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area.											
Earmarked General Fund Reserve											
CIRMP 2017/18 and 2018/19 Implementation reserve	Committed as part of MTFS	1,022	0	1,022	(764)	(258)	0	0	0	0	**0**
This reserve is earmarked to support the MTFS in 2017/18 and 2018/19. This reserves enables the Authority to manage budget cuts over a slightly longer period and therefore avoids a reduction in the quality of services provided to the public, whilst operational changes are implemented to achieve recurring budget reductions.											
Budget Support Fund	Committed as part of MTFS	2,513	400	2,913	0	0	0	(920)	(1,800)	(193)	**0**
As detailed in section 8 of the MTFS report this reserve is earmarked to manage financial risks in 2020/21 arising from the implementation of the Fair Funding Review and 75% Business Rates Retention. The planned phasing for using this reserve may change depending on the impact of these changes. There is also a risk that this reserve may need to be used earlier if pay awards exceeds the MTFS provisions and additional Government funding is not provided. The MTFS report advises Members that this one off funding would not provide a permanent solution to address recurring funding cuts, or recurring additional cost increases. However, the reserve would provide a slightly longer lead time to implement permanent budget cuts.											
Earmarked Revenue Reserves											
Insurance Fund	Not currently committed, although underpins Insurance strategy	200	0	200	0	0	0	0	0	0	**200**
This is earmarked to fund payments that fall within the Authority's insurance policy excesses. As the timing of insurance claims/settlements is unknown no usage is shown. The availability of this reserves avoids the cost of unbudgeted insurance claims having to be funded from the Authority's revenue budget in the year they arise and therefore protects funding available for front line services.											
Breathing Apparatus	Not currently committed, provides funding for forecast commitment	125	0	125	0	(125)	0	0	0	0	**0**
Is earmarked to meet the costs of Telemetry associated with the breathing apparatus in line with the replacement programme included in the Asset Management Plan.											
Innovation Fund	Not contractually committed, although underpins community safety initiatives	566	0	566	(140)	(140)	(140)	(146)	0	0	**0**
Is earmarked primarily to fund fire prevention initiatives such as domestic sprinkler installations. These initiatives have a positive impact on community safety.											
Organisational implementation/transition costs		750	(750)	0	0	0	0	0	0	0	**0**
This reserve was initially earmarked to fund one-off redundancy/early retirement costs arising as a result of continuing funding reductions. As this reserve will not be needed in 2018/19 or 2019/20 these resources have been transferred to the Capital Investment Programme Reserves to meet commitments in 2020/21 and future years.											

Description and how reserve supports the authority's strategy to deliver good quality services	Status of reserve	Balance at 31/3/2017	Contribution from 2017/18 Managed Under Spend and reserve transfers	Balance after 2017/18 underspend	Planned Use of Reserves						Balance Allocated to Manage Ongoing Risk
					2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Phasing Reserve This reserve will be used over a number of years to smooth the interest and loan repayment costs which are charged to the annual budget. The reserve recognises that the annual charges, which arise from the use of Prudential Borrowing to fund part of the approved Asset Management Plan, are uneven and therefore avoids temporary increases/decrease in the annual charge to the revenue budget, which would impact on resources available to fund services. This reserve achieves the same objectives as a PFI (Public Finance Initiative) Smoothing reserve operated by Fire and Rescue Authorities which implemented PFI schemes to address building condition issues.	Committed as part of MTFS	450	0	450	117	57	0	0	0	(624)	**0**
Commissioned Services This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions. The availability of this reserves avoids temporary income reductions having to be funded from the Authority's revenue budget in the year they arise. This therefore protects funding available for front line services. The reserve also enables the Authority to protect staffing resources allocated to undertake these initiatives until alternative external funding can be secured.	Committed as part of MTFS	200	0	200	0	0	0	0	0	0	**200**
Staff Training and Development This reserve is earmarked to address ongoing training requirements to ensure operational staff have the required skills to deliver safe and effective fire and rescue services reflecting the Brigade's operational environment.	Committed as part of MTFS	50	0	50	(50)	0	0	0	0	0	**0**
Pension Reserve This reserve is earmarked to fund fixed annual contribution to the Teesside Pension Fund arising from the actuarial valuation of the Pension Fund covering the period 2017/18 to 2019/20. Funding these costs from this reserve avoids having to make additional budget reductions, as it is hoped that these additional contribution will not be required from 2020/21.	Committed as part of MTFS	160	0	160	(52)	(53)	(55)	0	0	0	**0**
Total Earmarked Reserves - Other		**2,501**	**(750)**	**1,751**	**(125)**	**(261)**	**(195)**	**(146)**	**0**	**(624)**	**400**
Total Earmarked Reserves		**11,212**	**400**	**11,612**	**(5,066)**	**(1,718)**	**(195)**	**(1,316)**	**(1,800)**	**(1,117)**	**400**
Unearmarked Reserves											
General Fund Balance This is the only uncommitted reserve held by the Authority and equates to 5.75% of the 2017/18 approved revenue budget. The reserve has been set at this level to reflect financial risks facing the Authority, which if they materialise would have an adverse financial impact on the Authority and the level of resources available to fund services to the public. Some of these financial risks are potentially one off events and the availability of this reserve would avoid the need for in year budget cuts. The potential one off events relate to: - **Business Rates income risks** - the overall business rates base for the authority's area consists of a number of major rate payers where business rates income is volatile as Rateable Value can reduce significantly for a temporary basis. For example in 2016/17 Rateable Value reduction resulted in a collection fund deficit for the Authority of £615k. This situation could potentially be repeated if the Nuclear Power station had an unplanned shutdown, as the Valuation Office Agency would approved a temporary rateable value reduction. - **Capital Programme risks** - the Authority has successfully delivered a significant capital programme on time and on budget. However, until all schemes are complete there remains a potential risk of increased costs. - **Fair Funding Review (FFR) and implementation of 75% Business Rates retention income risks** - in 2019/20 the Authority will receive £5.239m of Revenue Support Grant and the increase in Business Rates income will only replace £835k of this grant. Therefore, there is a potential shortfall of £4.404m in recurring income from 2020/21 if the FFR does not address this position.	Not Committed - earmarked to manage ongoing financial risks	1,552	0	1,552	0	0	0	0	0	0	**1,552**
Total Unearmarked General Fund		**1,552**	**0**	**1,552**	**0**	**0**	**0**	**0**	**0**	**0**	**1,552**
Total All Reserves		**12,764**	**400**	**13,164**	**(5,066)**	**(1,718)**	**(195)**	**(1,316)**	**(1,800)**	**(1,117)**	**1,952**