



Essex County  
Fire & Rescue Service

# **Essex County Fire and Rescue Service Reserves Strategy**

**2025/26**

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## 1. Background

The Reserves Strategy sets out our level of reserves and what we intend to use them for.

The Home Office published the Fire and Rescue National Framework in May 2018; in addition, a Financial Management Code of Practice has been issued. Both these documents include reference to reserves. The main elements are:

- Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- Fire and Rescue Authorities (FRA's) should establish a policy on reserves and provisions in consultation with their Chief Finance Officer. General Reserves should be held by the Fire and Rescue Authority and managed to balance funding and spending priorities and to manage risks. These should be established as part of the medium-term financial planning process, as presented in the Medium Term Financial Strategy.
- Each Fire and Rescue Authority should publish their Reserves Strategy on their website, either as part of their Medium Term Financial Strategy or in a separate Reserves Strategy document. The Reserves Strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The Reserves Strategy should cover resource and capital reserves and provide information for the period of the Medium Term Financial Strategy (and at least two years ahead).
- Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the Fire and Rescue Authority's Medium Term Financial Strategy. The strategy should be set out in a way that is clear, and understandable for members of the public, and should include:
  - how the level of the General Reserve has been set.
  - justification for holding a General Reserve larger than five percent of budget; and,
- Details of the activities or items to be funded from each Earmarked Reserve, and how these support the FRA's strategy to deliver a good quality service to the public. Where an Earmarked Reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.
- The information on each reserve should make clear how much of the funding falls into the following three categories:
  - Funding for planned expenditure on projects and programmes over the period of the current medium term financial strategy.
  - Funding for specific projects and programmes beyond the current planning period.
  - As a general contingency or resource to meet, other expenditure needs held in accordance with sound principles of good financial management (e.g., insurance).

## 2. Categories of Reserves

Reserves that are held the Fire Authority are categorised into two separate categories as follows:

- **Useable Reserves** – These reserves are those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable Reserves** – These reserves are those that the Authority cannot use to provide services. These arise from accounting adjustments and change annually as part of the year end process.

### UNUSABLE RESERVES

The table below shows the current and prior year position of the Authority's Unusable Reserves:

	<b>Actual (Unaudited) Balance at 31st March 2024 £000's</b>	<b>Actual Balance at 31st March 2023 £000's</b>
Revaluation Reserve	31,989	43,840
Capital Adjustment Account	67,236	66,198
Holiday Pay Account	(1,408)	(1,353)
Collection Fund Account	1,303	1,557
Pension Reserve	(585,133)	(585,412)
<b>Unusable Reserves</b>	<b>(486,013)</b>	<b>(475,170)</b>

The detail of each Unusable Reserve is outlined below:

- **Revaluation Reserve** – Includes unrealised gains and losses made by the Authority arising from changes in the value of its Property, Plant and Equipment (and Intangible Assets).
- **Capital Adjustment Account** – Absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions.
- **Holiday Pay Account** – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g., annual leave entitlement carried forward at the year end.
- **Collection Fund Account** – The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- **Pension Reserve** – Absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

## USABLE RESERVES

The Authority maintains the following type of Useable Reserves:

### General Reserves

These are held by the Authority to balance funding and spending priorities and to manage risks. These are established as part of the medium term financial planning process.

The Authority needs to hold an adequate level of general reserves 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.

The table below shows the current and projected position of our General Reserves:

	Actual Balance at 31st March 2024* £000's	Projected Balance at 31st March 2025 £000's	Projected Balance at 31st March 2026 £000's	Projected Balance at 31st March 2027 £000's	Projected Balance at 31st March 2028 £000's
General Reserves Opening Balance	3,882	4,157	4,157	4,157	4,157
Surplus / (deficit) in year	275	-	-	-	-
<b>General Reserves Closing Balance</b>	<b>4,157</b>	<b>4,157</b>	<b>4,157</b>	<b>4,157</b>	<b>4,157</b>
<b>Per Previous Reserves Strategy</b>	<b>3,334</b>	<b>3,334</b>	<b>3,334</b>	<b>3,334</b>	<b>3,334</b>
<b>Movement</b>	<b>823</b>	<b>823</b>	<b>823</b>	<b>823</b>	<b>823</b>

General Reserve Closing  
Balance as a % of Budget

4%	4%	4%	4%	3%
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\*2023/24 Figures based on Unaudited Financial Statements

The actual level of General Reserves at 31 March 2024 was £4.157m. This level of General Reserves is £0.823m higher than that projected in the previous Reserves Strategy.

This is a result of there being a £0.826m improvement in the final position for 2023/24. The final outturn position is detailed in the Narrative Report within the 2023/24 Financial Statements, which are located on our website ([Finance | Essex County Fire and Rescue Service](#)).

The Authority deems that holding a 3% to 5% level of General Reserves is adequate. If the general reserve falls below 3%, the Authority would look to make appropriate plans in order to be replenish the level of the general reserves in the following year.

The National Framework requires that any General Reserve above 5% should be justified in the strategy document, in this context the Authority plans to continue to operate within the 5% requirement.

## Earmarked Reserves

The Authority has established specific reserves to manage key financial risks and to support the transformation of the Authority to ensure it is fit for the future.

There are clear policies in place to set out how and when each Earmarked Reserve can be used.

This includes the requirement for the submission of a business case to support the use of any Earmarked Reserve, which must be approved by the Commissioner on the advice of the Chief Finance Officer.

Each reserve is reviewed on a regular basis, at least annually. Reviews of all reserves are also included as part of both the annual budget process and production of the Medium Term Financial Strategy. They are also reviewed alongside the annual production of the financial statements.

The table below shows the current and future planned level of each Earmarked Reserve:

	Actual Balance at 31 March 2023	Forecast Addition / (Use)	Actual Balance at 31 March 2024*	Forecast Addition	Forecast (Use)	Projected Balance at 31 March 2025	Transfer Between Reserves	Forecast (Use)	Projected Balance at 31 March 2026	Forecast Addition / (Use)	Projected Balance at 31 March 2027	Forecast Addition / (Use)	Projected Balance at 31 March 2028
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b><u>Earmarked Contingency Reserves</u></b>													
Demand Pressures	600	0	600	0	0	600	0	0	600	0	600	0	600
Taxbase & Collection Account Reserve	200	0	200	0	0	200	0	0	200	0	200	0	200
National Non Domestic Rates Collection Reserve	233	200	433	0	0	433	0	0	433	0	433	0	433
Risk Protection	285	0	285	0	0	285	0	(200)	85	0	85	0	85
	<b>1,318</b>	<b>200</b>	<b>1,518</b>	<b>0</b>	<b>0</b>	<b>1,518</b>	<b>0</b>	<b>(200)</b>	<b>1,318</b>	<b>0</b>	<b>1,318</b>	<b>0</b>	<b>1,318</b>
<b><u>Earmarked Reserve - Productivity</u></b>													
On Call - Support	393	(1)	392	0	0	392	0	0	392	0	392	0	392
Invest to Save	523	0	523	0	0	523	0	(200)	323	0	323	0	323
Innovation & Transformation	2,420	(1,147)	1,273	0	(1,146)	127	0	(127)	0	0	0	0	0
	<b>3,336</b>	<b>(1,148)</b>	<b>2,188</b>	<b>0</b>	<b>(1,146)</b>	<b>1,042</b>	<b>0</b>	<b>(327)</b>	<b>715</b>	<b>0</b>	<b>715</b>	<b>0</b>	<b>715</b>
<b><u>Earmarked Reserve - Specific Purpose</u></b>													
Unspent Government Grant - Covid 19	383	(262)	121	0	(121)	0	0	0	0	0	0	0	0
Unspent Government Grant - Pension	4	0	4	0	0	4	0	0	4	0	4	0	4
Unspent Government Grant - Protection Uplift	0	265	265	0	(265)	0	0	0	0	0	0	0	0
Unspent Government Grant - Building Risk Review	0	46	46	0	0	46	0	0	46	0	46	0	46
Unspent Government Grant - Grenfell Grant	0	151	151	0	(20)	131	0	0	131	0	131	0	131
Operational Training Reserve	489	0	489	500	(150)	839	30	(869)	0	0	0	0	0
Learning & Development Programme	1,158	(127)	1,031	0	(150)	881	(30)	0	851	(200)	651	(200)	451
Community Safety Programme - Sprinkler Support	420	(1)	419	0	0	419	0	0	419	0	419	0	419
	<b>2,454</b>	<b>72</b>	<b>2,526</b>	<b>500</b>	<b>(706)</b>	<b>2,320</b>	<b>0</b>	<b>(869)</b>	<b>1,451</b>	<b>(200)</b>	<b>1,251</b>	<b>(200)</b>	<b>1,051</b>
<b>Total Earmarked Reserves</b>	<b>7,108</b>	<b>(876)</b>	<b>6,232</b>	<b>500</b>	<b>(1,852)</b>	<b>4,880</b>	<b>0</b>	<b>(1,396)</b>	<b>3,484</b>	<b>(200)</b>	<b>3,284</b>	<b>(200)</b>	<b>3,084</b>
<b>Per 2024/25 Reserves Strategy</b>	<b>0</b>	<b>0</b>	<b>5,292</b>	<b>0</b>	<b>(970)</b>	<b>4,322</b>	<b>0</b>	<b>(350)</b>	<b>3,972</b>	<b>0</b>	<b>3,972</b>	<b>0</b>	<b>3,972</b>
<b>Difference</b>	<b>7,884</b>	<b>(1,139)</b>	<b>940</b>	<b>500</b>	<b>(882)</b>	<b>558</b>	<b>0</b>	<b>(1,046)</b>	<b>(488)</b>	<b>(200)</b>	<b>(688)</b>	<b>(200)</b>	<b>(888)</b>

\*2023/24 Figures based on Unaudited Financial Statements

£1.40m of Earmarked Reserves is planned to be utilised in 2025/26, with the key allocations being:

- £0.5m from the Operational Training Reserve will be allocated for the progression the Live Fire Training Project. This will specifically include obtaining planning permission and accurate costings for the project.

£0.3m investment in temporary training resources for 12 months ensuring delivery of the Strategic workforce plan.

- £0.2m investment to conduct a condition survey throughout the Services estate, which will aid the prioritisation of the future asset protection works. This is being funded from the Risk Protection Reserve.

- £0.2 million from the Invest to Save Reserve, which is primarily related to the implementation of telematics across our vehicle fleet.

The projected closing balance of total Earmarked Reserves at 31st March 2026 is £3.48m.

The level of Earmarked Reserves for the year ending 31 March 2025 are projected to be £4.88m. These are £0.6m higher than the projection made in the Previous Reserve Strategy. This is primarily due to there being an expected £0.5m addition to the operational training reserve in 2024/25, which is a resulting of unplanned National Non Domestic Rate funding being received in year. This will assist with the funding of planned activities in 2025/26.

The purpose for which each Earmarked Reserve is held is explained below:

**Earmarked Contingency Reserves:**

**Demand Pressures** – This reserve has been established to fund any exceptional in year costs that arise due to increase in demand pressure resulting from major incidents.

**Tax base and Collection Account Reserve** – This reserve has been established to fund any unplanned fluctuations on the Council Tax Collection Account.

**National Non-Domestic Rates Collection Reserve** – This reserve has been established to fund any unplanned fluctuations on the National Non-Domestic Rates Collection Account.

**Risk Protection** – The purpose of this reserve is to fund any unknown legal or insurance exposures that may arise in the future.

**Earmarked Reserves – Productivity:**

**On Call Support** – This is to support the On Call Development Programme, specifically targeting an improvement in recruitment and retention initiatives within this duty system.

**Invest to Save Reserve** – The purpose of this reserve is to enable managers to bid for investment funding for projects that would realise savings and efficiencies in future years.

**Innovation and Transformation Reserve** – This reserve has been established to fund innovation and transformation projects in line with the IRMP and the Fire & Rescue Plan.

**Earmarked Reserves – Specific Purpose:**

**Unspent Government Grants** – These reserves consist of any unspent Government funding, to which specific grants have been received.

**Operational Training Reserve** – This reserve has been established to support investment in operational training.

**Learning and Development Programme** – The reserve has been established to invest in structured learning and development initiatives.

**Community Safety Programme – Sprinkler Support** – The purpose of this is to support the retro fitting of sprinklers in high rise premises in Essex.

### **Capital Receipts Reserve**

Capital Receipts are generated from the sale of surplus assets.

The use of the Capital Receipts Reserve is governed by regulations, and they can only be spent on:

- Capital Financing of new expenditure
- Repayment of debt
- Funding the costs of disposals

The table below shows the current and future planned level of the Capital Receipts Reserve:

<b>Capital Receipts Reserve (CRR)</b>	<b>Actual Balance at 31 March 2024* £000's</b>	<b>Projected Balance at 31 March 2025 £000's</b>	<b>Projected Balance at 31 March 2026 £000's</b>	<b>Projected Balance at 31 March 2027 £000's</b>	<b>Projected Balance at 31 March 2028 £000's</b>
<b>CRR Opening Balance</b>	15,470	13,290	13,609	12,307	7,307
Sale of Assets	396	319	-	-	-
Utilised in Year	(2,846)	-	(1,302)	(5,000)	(5,000)
<b>CRR Closing Balance</b>	<b>13,290</b>	<b>13,609</b>	<b>12,307</b>	<b>7,307</b>	<b>2,307</b>
<b>Per Previous Strategy</b>	<b>12,256</b>	<b>10,456</b>	<b>6,206</b>	<b>706</b>	<b>706</b>
<b>Movement</b>	<b>1,034</b>	<b>3,153</b>	<b>6,101</b>	<b>6,601</b>	<b>1,601</b>

\*2023/24 Figures based on Unaudited Financial Statements

The Capital Receipts generated from the Sale of Asset primarily relate to the final sale of surplus day crew housing.

The projected use of capital receipts is in line with the 2025/26 annual budget, Medium Term Financial Strategy and the Capital and MRP Strategy. The impact on borrowing, will be further reviewed as part of the 2025/26 Treasury Management Strategy.

£1.3m of Capital Receipts are planned to be utilised in 2025/26, to fund the purchase on replacement vehicles and ICT equipment.

A further £10m has currently been allocated between 2026/27 to 2027/28 to fund a future investment for the relocation of Fire Training facilities from Wethersfield.

**Movements against prior strategy** – The utilisation of Capital Reserves Reserve has been updated to reflect the funding of the latest capital expenditure as per the Authority's Capital Strategy.

The Prior Reserve Strategy also included £10m of capital receipts for the Fire Training Facilities, but these were previously allocated between 2025/26 and 2027/28.



### 3. Flexible Use of Capital Receipts

Capital Receipts Reserves can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations.

The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

The Secretary of State for Communities and Local Government issued guidance in March 2016 giving local authorities greater freedoms with how capital receipts could be utilised.

This Direction allows for the following expenditure to be treated as capital:

“Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”

To take advantage of this freedom, the Authority must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Authority to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from 1 April 2016 with future strategies included within future annual budget documents and reported as appropriate.

It was announced in the Local Government Finance Policy Statement on 28<sup>th</sup> November 2024 that the government “will extend the flexible use of capital receipts to 2030. Since 2016, this direction has allowed local authorities to use the proceeds from asset sales to fund the revenue costs of projects that result in ongoing cost savings or improved efficiency. The government will also remove the restriction with respect to redundancy costs, imposed from April 2022, that limits the use of the flexibility to statutory redundancy costs only. This will support authorities in taking forward transformation and invest to save projects”.

The Authority will consider the flexible use of Capital Receipts in 2025/26 and will apply this in its decision making as appropriate.

## 4. Risks

The Reserves Strategy has considered all significant financial risks to the Authority, which are expected to have an impact in the next three years. Reserves are monitored throughout the year in the finance pack presented to the Performance and Resources Board each month.

The Authority maintains an adequate level of general reserves to meet an exceptional one off cost and also has some Earmarked Reserves available that relate to Contingencies.

In the event that there are any unexpected exceptional costs arise, then such Reserves may be needed to provide short term funding. This would also allow some time for the Authority's Productivity and Efficiency Board to determine and implement a savings plan, should any exceptional cost pressure be more than just a one off.

## Appendix 1 – Summary Table of Reserves

Summary Table of Reserves	Published Balance at 31 March 2024* £000's	Projected Balance at 31 March 2025 £000's	Projected Balance at 31 March 2026 £000's	Projected Balance at 31 March 2027 £000's	Projected Balance at 31 March 2028 £000's
<b>Usable Reserves</b>					
General Reserves	4,157	4,157	4,157	4,157	4,157
Earmarked Reserves	6,232	4,880	3,484	3,284	3,084
Capital Receipt Reserves	13,290	13,609	12,307	7,307	2,307
<b>Total Usable Reserves</b>	<b>23,679</b>	<b>22,646</b>	<b>19,948</b>	<b>14,748</b>	<b>9,548</b>
<b>Unusable Reserves</b>					
Revaluation Reserve	31,989				
Capital Adjustment	67,236				
Holiday Pay Account	(1,408)				
Collection Fund Account	1,303				
Pension Reserve	(585,133)				
<b>Total Usable Reserves*</b>	<b>(462,334)</b>				

\*2023/24 Figures based on Unaudited Financial Statements

### **Note:**

Unusable reserves are not included in the forecast, as they arise from accounting adjustments.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents – none.	
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