

REPORT OF THE TREASURER

POLICY FOR RESERVES, PROVISIONS AND BALANCES

1 Purpose of Report

This report seeks views on the Fire Authority's policy on reserves, provisions and balances, in order to advise the service and financial planning process for 2007/08 to 2009/10.

2 Recommendations

The Committee is asked to report its views to the Fire Authority in order that they are considered during the planning process for the next three years

3 Background

The Fire Authority's policy on reserves, provisions and balances has been developed from a position of having no reserves at 31 March 2004, to having to re-evaluate completely the position as a self-precepting authority. This was done in the context of a conflict between needing to build up reserves, yet avoid the threat of capping. The policy has, therefore, evolved as the financial situation stabilised and can currently be summed up as a basic desire to ensure continuous service delivery, without major financial changes, year on year by:

- i Identifying quantifiable and specific financial risks and making reserves and provisions to deal with them;
- ii Examining remaining risks, attempt to evaluate them, apply probabilities to their occurrence and create a general reserve;
- iii Using any further one-off funding to create a capital reserve to minimise the impact of future known capital problems – notably the replacement of the St Michael's Street site;
- iv Reviewing risks and the actual experience of each reserve and provision each year as part of the service and budget plans; and
- v Considering the impact on the Council Tax payers of holding the cash on their behalf, as part of these budget reviews.



4 Issues for 2007/08

Assuming that risks are reviewed and the actual events that have affected each fund are taken into account, then there are still the following overall issues to be addressed:

- i Are all reserves and provisions still appropriate? A schedule of the original budgets is attached as an appendix to this report.
- ii To what extent should the policy of adjusting the capital reserve for variations in one-off resources continue?
- iii Should one-off reserves be released for other service priorities or as part of precept fixing?
- iv Are the other fundamental principles behind the current policy still valid?

Any views the Committee has will be fed into the budget process – firstly into the Strategy and Resources Committee and then onto the Fire Authority in October.

5 Financial Implications

There are no direct financial implications arising from this report.

6 Legal Comment

There are no legal implications arising directly from this report.

7 Appendix

Reserves and Provisions 2006/07

8 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balance Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Equality and Diversity		Retained	
Efficiency Savings		Risk and Insurance	*
Environmental		Staff	
Financial	*	Strategic Planning	*
Fire Control/Fire Link		West Midlands Regional Management Board	

For further information about this report please contact Keith Dixon, Treasurer, 01743 260202.



Reserves and Provisions 2006/07

	Balance at 1 April 2006	Budgeted Balance at 31 March 2007
	£ 000	£ 000
<u>Specific Reserves</u>		
1 Efficiency	100	95
2 Bad Weather	273	273
3 Transitional Funding	201	101
4 Pensions Reserve	400	400
<u>Provision</u>		
5 Equipment Replacement	100	107
<u>General Reserve</u>		
6 General	911 ¹	911
<u>Capital Reserve</u>		
7 Capital	675	387
	2,660	2,274

¹ The actual balance is £1,126,000 but this includes £215,000 slippage carried forward to add to budgets in 2006/07.

