

Appendix D – Reserves Statements

As at the 1.4.2013 the Council's General Fund (i.e. reserves that can be used against any activity) stood as follows:

Table 1 – General Reserves summary – as at April 2013

Item	Amount / £m
General Fund	6.5
Medium Term Financial Volatility Reserve	1.5
total	8.0

There have been a variety of adjustments and these are highlighted below:

Table 2 – Movements to General Reserves

	Amount / £m
As at 1.4.2013 – Total General Reserves	8.0
Utilisation of £120k from reserves for the 2013-14 budget as agreed at Council – March 2013	(0.1)
<i>Estimate at 31.3.2014</i>	<i>7.9</i>
Use of MTFVR in 2014/15 for loss of Business Rates	-0.4
Anticipated general reserves as at 31.3.2015	7.5

Table 3 – General Reserves summary as at 31.3.2015 – prediction February 2014

Item	Amount / £m
General Fund	6.4
Medium Term Financial Volatility Reserve	1.1
total	7.5

Purpose of the General Fund

The purpose of the general fund to act as a fund to be used in emergencies due to an outturn overspend and to protect council taxpayers from any steep rises in future Council Tax if the Council overspends against its budget.

The Council s151 officer (the Head of Finance) recommends that the general reserve totals, as a minimum, 5% of the Council's net revenue expenditure. As at the 1.4.2014, this would be a minimum reserve of £6.1m.

Within the expected General Fund of £6.4m, assuming no over or under spend, as at 31st March 2014, the Council has a number of risks as follows:

- Economy measures and service reductions always contain some degree of uncertainty as to whether their full effects will be achieved.
- The effect of the macro-economy on West Berkshire Council, and subsequent loss of income from Council Tax, from fees and charges, and a decline in house building and the corresponding impact on new house building.
- The impact of significant increases in demand to Council budget areas, specifically in Adult Social Care and Children's Social care; it should be noted that during 2012-13 Adult Social created their own risk fund for known items on the risk register that is maintained; these do not address significant spikes in demand
- The delivery of all savings targets
- Unforeseen events such as the flooding during July 2007
- Risks in relation to litigation.
- Risk of changes from specific grants to the non ring fenced government grants.
- Risks of grants being introduced or removed mid year, requiring authority contributions.
- The need to retain a general contingency to provide for unforeseen circumstances.
- The need to retain reserves for general day to day cash flow needs and avoid unnecessary temporary borrowing
- Risk of reduced income due to deferred income and social care clients' property decreasing in value

If the risks above occur, then this will deplete the general reserves, assuming that every other Council budget breaks even. If the Council does not break even in 2013-14 then it will need to establish a mechanism for replenishing reserves into future years.

Medium Term Financial Volatility Reserve (MTFVR)

The Council should maintain a MTFVR balance of at least 50% of the gap between the expected retained business rates and the safety net payment level from Government. At present, this 'gap' is £1.5m; i.e. the Council expects to receive £1.5m of retained business rate above its baseline, and the safety net begins at 7.5% of the Councils funding support (£1.5m). The reserve is required to cover a forecast net shortfall in the business rates of

circa £440k in 2013/14 with the closing balance expected to be just over £1m. This fund should be replenished to its recommended level as soon as practical.

Adult Social Care Risk Fund

Anticipated to be close to £900k by the end of the 2013-14 financial year. This reserve was created from one-off savings in Adult Social Care to meet known risks within the service. A separate risk register is held for the service. As with all reserves, these are one-off solutions and any on-going pressures will need to be adjusted via the CEL process.

Other reserves

The Council has a variety of other reserves which are earmarked for specific purposes. The significant items are highlighted below

Restructuring Provision

The Council has set aside £269k (worst case scenario) in the specific earmarked reserves to fund the cost of the savings proposals for the 2014-15 budget proposals.

It is anticipated that this reserve will mitigate, as much as possible, the impact of any savings related costs to the Council over the short term and so protect the Council's levels of general reserve to at least the minimum amount recommended by the s151 officer.

Any balance in this reserve at the end of the financial year will be rolled forward to fund any future restructuring costs to the Council.

Waste Management Reserve

A fund set up to help to meet the revenue and capital costs associated with the Council's PFI arrangement for the provision of waste collection and disposal services.

Long term commitments

Funding specifically set aside for capital financing purposes; either funding for future capital schemes or financing costs for future principal payments on maturity loans. These vary according to the progress of capital schemes and the utilisation of s106 monies.

A full list of the Council's reserves are disclosed in the Council's financial statements (2012-13)¹:

<http://www.westberks.gov.uk/index.aspx?articleid=27165>

¹ Please note that these reserves are before any changes from the 2013-14 financial year