

Reserves Statements

The Statement of Accounts that we produce each year details all our reserves and explains why we hold each of them. Reserves are reported in two categories: usable and unusable reserves. Usable reserves are those reserves that a Council may use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves cannot be used to provide services, and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences.

The level of usable reserves the Council holds is reviewed each year as part of the budgetary process. Consideration is given to the current financial standing of the Council, the funding outlook into the medium term and the financial risk environment we are operating in.

Councils generally hold usable reserves for a number of reasons:

- To use at a later date to support investment projects
- To temporarily hold unused portions of grants that can be legally used at a later date
- To insure themselves against major unexpected events such as flooding
- To guard against general risk
- To smooth the impact of cuts
- To guard against emergent specific risks, such as business rate appeals, increased demand, and the impact of social care reform.

The Council's usable reserves are as follows:

- General Reserve: held for non-specific items and risks
- Working Balances: temporary reserves that are routinely created to meet expenditure committed but not yet paid for
- Earmarked Reserves: amounts held for specific future projects

The General Reserve

The purpose of General Reserves are to act as a fund to be used in emergencies and to protect council taxpayers from any steep rises in future Council Tax if the Council over spends 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 1.4.2016, this would be a minimum reserve of £6m.

Table 1 - General Reserves Summary	Estimate*	
	31.3.2015	31.3.2016
	£m	£m
General Fund	6.44	4.97
Medium Term Financial Volatility Reserve (MTFVR)	1.53	1.03
Total General Reserves	7.97	6.00

During 2015/16 the General Reserves decreased by £2.75m for the following reasons:

1. £1.05m to support the 2015/16 budget
2. £1m to create an earmarked reserve for schools in financial difficulty
3. £600k to fund the 2015/16 over spend as forecast at quarter three
4. £100k to fund school improvement

In order to ensure the General Reserves meet the £6m minimum level, £780k has been released from Earmarked Reserves by reassessing the risks relating to these items.

The movement in General Reserves is explained in the following table:

Table 2 - Movements to General Reserves	£m
Total General Reserves at 31.3.2015	7.97
Utilisation of General Reserves for the 2015/16 budget as agreed at Council March 2015	-1.15
Create an earmarked reserve for schools in financial difficulty	-1
Quarter Three forecast over spend	-0.60
Movement from Earmarked Reserves	0.78
Estimate at 31.3.2016*	6.00

The General Reserve is expected to cover any of the following risks should they arise:

- The impact of significant increases in demand to Council budget areas, specifically in Adult Social Care and Children's Social care
- The delivery of all savings targets
- Economy measures and service reductions always contain some degree of uncertainty as to whether their full effects will be achieved.
- Unforeseen events such as the flooding during January 2014
- 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

Earmarked Reserves

The Council has a variety of other reserves which are earmarked for specific purposes. The significant items are highlighted in the following table:

Table 3 - Earmarked Reserves Summary	Estimate*	
	31.3.2015	31.3.2016
	£m	£m
Schools Balances	5.12	5.22
Special Expenses	0.01	0.01
Self Insurance Fund	1.08	1.08
Long Term Commitment	1.13	0.90
Specific Earmarked Reserves	3.73	2.53
Waste Management Strategy	0.98	0.43
Total General Reserves	12.04	10.15

Schools Balances

This is an amalgamation of unspent and overspent balances.

Special Expenses

These are explained in detail in Appendix I.

Self Insurance Fund

This fund has been established to ensure that costs to the Council in relation to claims, can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The fund is used to pay the first £250k of any property claim and the first £100k of other claims. External insurance covers the balance of claims.

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.

Specific Earmarked Reserves

Funds set aside to cover specific future liabilities. The main items in here are:

- **Adult Social Care Risk Fund**

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 budget process.

- **Restructuring Provision**

The Council expects to use some of this provision in the specific earmarked reserves to fund the cost of the savings proposals for the 2016/17 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 reserves 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.

- **Schools in Financial Difficulty**

A reserve created to cover the Council's share of any liabilities that may arise from schools in financial difficulty.

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.

A full list of the Council's reserves are disclosed in the Council's financial statements (2014-15) available on our website:

[West Berkshire Council - Statement of Accounts](#)

* Please note that these reserves are before any changes from the 2015/16 financial year end.