

### 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
- Earmarked Reserves: amounts held for specific future projects or service risks

During 2016-17, usable reserves are expected to reduce by £2.75m to fund the forecast revenue over spend, fund exit costs arising from savings plans and to facilitate the transfer of John O'Gaunt School to an Academy. The Council has made provision in the 2017-18 budget to put £1.98m back into reserves; £0.98m into the Adult Social Care Risk Fund to mitigate against risks in this area and if the Executive are minded to approve the use of Transition Grant after considering the consultation responses, £1m will be put into a Transformation Fund, in order to ensure that the Council has the resources to pursue transformation plans outlined in the MTFS and to invest in strategies that will bring future benefits to the organisation. Usable reserves will therefore reduce by £770k overall.

<b>Usable Reserves Summary</b>	<b>Actual</b>	<b>Use of</b>	<b>Increase in</b>	<b>Estimate</b>
	<b>1.4.2016</b>	<b>Reserves</b>	<b>Reserves</b>	<b>1.4.2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	5.32	-	-	5.32
Risk Fund	1.03	-	-	1.03
<b>Total General Reserve</b>	<b>6.35</b>	<b>0.00</b>	<b>0.00</b>	<b>6.35</b>
Earmarked Reserves	12.09	-2.75	1.98	11.32
<b>Total Usable Reserves</b>	<b>18.44</b>	<b>-2.75</b>	<b>1.98</b>	<b>17.67</b>

## The General Reserve

The purpose of the General Reserve is 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 s151 officer (Head of Finance) recommends that the General Reserve totals, as a minimum, 5% of the Council's net revenue expenditure, which for 2017-18 would be a minimum reserve of £5.8m.

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

- The impact of significant increases in demand
- 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 other reserves which are earmarked for specific purposes.

<b>Earmarked Reserves</b>	<b>1.4.2016</b>	<b>Estimate</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Balances	4.54	4.54	0.00
Special Expenses	0.01	0.01	0.00
Self Insurance Fund	0.95	0.95	0.00
Long Term Commitment	0.92	0.92	0.00
Waste Management Strategy	0.46	0.46	0.00
Specific Earmarked Reserves	5.21	4.43	-0.78
<b>Total Earmarked Reserves</b>	<b>12.09</b>	<b>11.31</b>	<b>-0.78</b>

## 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 commitment

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.

## 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.

## Specific Earmarked Reserves

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

Specific Earmarked Reserves	Estimate		
	1.4.2016	1.4.2017	Movement
	£m	£m	£m
Service Specific Risk Funds	1.66	1.87	0.21
Transformation Fund	-	1.00	1.00
Restructuring Provision	1.46	0.39	-1.07
Schools in Financial Difficulty	1.00	-	-1.00
Other	1.09	1.17	0.08
<b>Total Specific Earmarked Reserves</b>	<b>5.21</b>	<b>4.43</b>	<b>-0.78</b>

- **Service Specific Risk Funds**

Three reserves have been created to meet known risks within Adult Social Care, Children and Family Services and Legal Services. At Quarter Three 2016-17, there are over spends in all these areas and at year end the Executive will decide how to fund any over spend. The table below shows what impact the 2016-17 forecast over spend would have on these risk funds, if they were used. As a result of ongoing pressures identified in the service risk register, the Adult Social Care risk reserve will be increased by £980k as part of the 2017-18 budget setting.

	<b>Adult</b>	<b>Children &amp;</b>	<b>Legal</b>	
	<b>Social Care</b>	<b>Family Services</b>	<b>Services</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening Balance</b>	<b>1.11</b>	<b>0.50</b>	<b>0.05</b>	<b>1.66</b>
Forecast Use of Reserve	-0.69	-0.03	-0.05	-0.77
Increase in provision	0.98	0.00	0	0.98
<b>Closing Balance 31.3.17</b>	<b>1.40</b>	<b>0.47</b>	<b>0.00</b>	<b>1.87</b>

- **Transformation Fund**

In order to support the Medium Term Financial Strategy to deliver its transformation plans, the Executive recommends that £1m is set aside from the 2017-18 Transitional Grant funding. This will ensure that the Council has the resources to pursue plans outlined in the MTFS and to invest in strategies that will bring future benefits to the organisation.

- **Restructuring Provision**

This fund is used to cover the exit costs associated with some of the savings proposals for the 2016-17 and 2017-18 budgets. The estimated exit costs for these two years coming out of the reserve are in the region of £1m. 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**

This £1m reserve was created to cover the Council's share of any liabilities that may arise from schools in financial difficulty. It is expected to be used in full to support the transition of John O'Gaunt School to an Academy.

A full list of the Council's reserves are disclosed in the Council's financial statements 2015-16 available on our website.

Please note that these reserves estimates are before any changes from the 2016-17 financial year end.