

Appendix Ei)

Reserves Statements

The Statement of Accounts that are produced each year details all the Council's reserves and explains why they are held. Reserves are reported in two categories: unusable and usable reserves. Unusable reserves include those reserves which are kept to manage the accounting processes for non-current assets, retirement and employee benefits. Unusable reserves cannot be used to provide Council services. 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.

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 the Council is 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 funding reductions
- 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 schemes and for specific purposes e.g. self-insurance

During 2021-22, earmarked reserves are expected to reduce by £5m, with a further £20m flowing through the Collection Fund from last year. A further £4m will be used to support the 2022-23 budget. This will fund investment in the Council Strategy, use remaining Covid-19 grants, and fund the Collection Fund deficit.

A summary is shown in the following table:

Reserve	Balance as at 31.3.2021	Forecast increase during 2021-22	Forecast decrease during 2021-22	Forecast balance as at 31.3.2022	Forecast increase / decrease for 2022-23 budget setting	Forecast balance as at 1.4.2022
	£m	£m	£m	£m	£m	£m
General Fund (unallocated) including specific risk reserves	12.12	1.40	-2.93	10.59	-1.33	9.26
Earmarked Reserves	46.53	2.36	-27.49	21.40	-3.32	18.08
Total usable reserves	58.65	3.76	-30.42	31.99	-4.65	27.34

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, Executive Director (Resources) recommends that the General Reserve totals, as a minimum, £7m of the Council's net revenue expenditure.

The calculation of the £7m is based on the below. It is very unlikely that all of these risks would occur at the same time. However, there is cumulative risk of a number of these factors taking place over a short period of time. The purpose of the general reserve is enable the Council to continue to function and perform its services without significant impediment:

Item	Rationale	Amount
Pressure on demand and significant income budgets	A 5% movement on demand budgets and on reduced income	£5.5m
Pressure on traded budgets	A 10% movement on traded budgets,	£0.2m
General risks to cover the items below	See items below	£1.3m
Total <i>minimum</i> required General Reserve		£7m
Forecast General Reserve (including service specific risks)	Service specific risks are part of general reserves	£8.3m

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

- The impact of significant increases in demand
- Lack of 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 or Covid-19 in 2020-21
- Litigation
- Changes from specific grants to the non ring fenced government grants
- Grants being introduced or removed mid-year
- Unforeseen circumstances
- General day to day cash flow needs and avoid unnecessary temporary borrowing
- 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.

Reserve	Balance as at 31.3.2021	Forecast increase during 2021-22	Forecast decrease during 2021-22	Forecast balance as at 31.3.2022	Forecast increase / decrease for 2022-23 budget setting	Forecast balance as at 1.4.2022
	£m	£m	£m	£m	£m	£m
Schools balances	8.02			8.02		8.02
Parish special expenses	0.01			0.01		0.01
Self-insurance fund	1.14		-0.21	0.93		0.93
Specific Earmarked Reserves	37.36	2.36	-27.28	12.44	-3.32	9.11
Total Earmarked Reserves	46.53	2.36	-27.49	21.40	-3.32	18.08

Schools balances

This is an amalgamation of unspent and overspent balances.

Parish special expenses

These are explained in detail in Appendix G.

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.

Specific earmarked reserves

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

Reserve	Balance as at 31.3.2021	Forecast increase during 2021-22	Forecast decrease during 2021-22	Forecast balance as at 31.3.2022	Forecast increase / decrease for 2022-23 budget setting	Forecast balance as at 1.4.2022
	£m	£m	£m	£m	£m	£m
Covid Reserves	5.91		-4.63	1.28	-1.28	0.00
Collection Fund volatility reserves	20.83		-19.70	1.13	0.17	1.30
Transformation Fund	0.89		-0.39	0.50	-0.30	0.21
Public Health	0.84	0.63	-0.12	1.35	-0.64	0.71
Outcomes Based Budgeting equalisation	2.00			2.00	-0.66	1.34
Council Strategy investment	0.22			0.22	-0.22	0.00
Future town centre studies	0.15		-0.05	0.10	-0.10	0.00
ASC risk reserve	0.82		-0.39	0.43	1.50	1.93
Legal risk reserve	0.10			0.10		0.10
Education risk reserve	0.12		-0.04	0.08	0.17	0.25
Children's & families risk reserve	0.36	0.23	-0.40	0.19	0.10	0.29
Commercial property risk reserve	0.84		-0.31	0.54		0.54
Transport and Countryside risk reserve	0.10			0.10	-0.10	0.00
Elections	0.06			0.06		0.06
Waste Management	0.15		-0.08	0.07		0.07
Schools in financial difficulty	0.50			0.50		0.50
Local Development Framework	0.20			0.20	-0.2	0.00
Restructuring reserve	0.59		-0.38	0.21		0.21
Community Solutions Fund	0.20			0.20		0.20
Future budget requirement	1.01	1.50	-0.74	1.77	-1.77	0.00
Promotion of Integrated Transportation (street works)	0.53			0.53		0.53
Commuted sums	0.65		-0.06	0.59		0.59
Other	0.28			0.28		0.28
Total Specific Earmarked Reserves	37.36	2.36	-27.28	12.44	-3.32	9.11

Collection Fund volatility - to support the volatility associated with taxbase estimates upon which the Council Tax is collected, and business rates in relation to estimates, appeals and timing. As per other elements of the budget papers, there has been significant volatility in the collection fund, especially in respect of business rates, and a three year spread of the deficit from 2021-22 across the period 2021-24 has been taken.

Transformation - In order to support the Medium Term Financial Strategy to deliver its transformation plans, the Executive established a Transformation Reserve. 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. The reserve was increased during 2019-20 to support future transformation projects.

Outcomes based budgeting – to support the re-profiling of savings *if* required as part of the MTFS; see the MTFS document.

Council Strategy investment – to enable delivery of measures to support the Council Strategy as referenced elsewhere in the budget papers. Expect to deplete to £0m at the end of 2022-23.

Future town centre studies – funding set aside to deliver town centre studies to support local centres in a similar manner to Newbury town centre piece of work undertaken. Spend is expected to commence late in 2021-22 so these reserves will likely deplete to £0 in 2022-23.

Service risk reserves: Within the Earmarked Reserves are Service Specific Risk Funds for:

- Adult Social Care £2m,

There are significant risks in ASC at present for 2022-23; rising inflation over 5% could have an impact with further pressures on staffing and placement costs; some of this can be mitigated through specific Government Grants, as yet determined, from the £1.7bn nationally set aside by Government for the ASC market.

- Children & Family Services £290k,
- Education £250k and
- Legal Disbursements £100k.

Commercial property - established to cover risks associated with the investment in commercial property. The Council may need to use £300k of this to support lower than expected income during 2021-22.

Waste management - to support the transition to a new model of waste management.

Schools in financial difficulty - to fund any additional support that the Council may need to provide to schools in financial difficulty.

Restructuring - used to cover the exit costs associated with some of the savings proposals. The balance remaining in the restructuring reserve at the end of the financial year will be rolled forward to fund any future restructuring costs to the Council.

Commuted sums: Ring-fenced for specific schemes and cannot be added into general fund reserves.

Other

Other specific earmarked reserves are in place to support specific service requirements or projects.

A full list of the Council's reserves are disclosed in the Council's financial statements 2010-21 available on our website. Please note that these reserves estimates are before any changes from the 2021-22 financial year end which will be reported in the Council's financial statements for 2021-22 in draft form by the end of June 2022.