

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: 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 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 2018/19, earmarked reserves are expected to reduce by £0.92m to fund the forecast revenue over spend, fund exit costs arising from savings plans, fund transformation projects and to release earmarked reserves.

A summary is shown in the following table:

Usable Reserves	1.4.2017	1.4.2018	1.4.2019
	Actual	Actual	Estimate
	£m	£m	£m
General Reserve	6.35	6.07	6.55
Earmarked Reserves	12.85	11.37	10.58
Total Usable Reserves	19.20	17.44	17.13

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 & Property) recommends that the General Reserve totals, as a minimum, 5% of the Council's net revenue expenditure, which for 2019/20 would be a minimum reserve of £6.55m.

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
- 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.

Earmarked Reserves	Actual 1.4.2018 £m	2018/19 Movement £m	Planned use of Reserves £m	Planned increase in Reserves £m	Estimate 1.4.2019 £m
Schools Balances	3.71	-	-	-	3.71
Parish Special Expenses	0.01	-	-	-	0.01
Self Insurance Fund	0.92	-	-0.10	-	0.82
Long Term Commitment	0.83	-0.06	-	-	0.77
Specific Earmarked Reserves	5.90	1.42	-2.05	-	5.27
Total Earmarked Reserves	11.37	1.36	-2.15	0.00	10.58

Schools balances

This is an amalgamation of unspent and overspent balances.

Parish 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.

Specific earmarked reserves

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

Specific Earmarked Reserves	Actual	2018/19	Planned use	Planned increase	Estimate
	1.4.2018	Movement	of Reserves	in Reserves	1.4.2019
	£m	£m	£m	£m	£m
Service Specific Risk Funds	0.97	1.59	-0.81	-	1.75
Transformation Fund	0.83	-0.16	-0.38	-	0.29
Restructuring Provision	0.63	-0.18	-0.18	-	0.27
Schools in Financial Difficulty	-	0.50	-	-	0.50
Waste Management Strategy	0.76	-0.33	-	-	0.43
Other	2.71	-0.01	-0.67	-	2.03
Total Specific Earmarked Reserves	5.90	1.42	-2.05	0.00	5.27

Service Specific Risk Funds

These reserves have been created to meet known risks within service areas. At Quarter Three 2018/19, there are over spends in Adult Social Care and Children & Family Services and if the over spend continues, the Executive will decide how to fund any over spend. The table below shows what impact the 2018/19 forecast over spend would have on these risk funds, if they were used.

Risk Reserve Summary	Reserve Balance 1.4.2018	Change to level of Reserve	Current Reserve Balance	Risks proposed to be funded	Risk Reserve balance 31.03.2019
Service	£000	£000	£000	£000	£000
Adult Social Care	881	719	1,600	-609	991
Children & Family Services	38	377	415	-203	212
Education	0	279	279	0	279
Leisure	0	50	50	0	50
Libraries	0	90	90	0	90
Transport & Countryside	0	75	75	0	75
Legal Services	50	0	50	0	50
Total	969	1,590	2,559	-812	1,747

Transformation Fund

In order to support the Medium Term Financial Strategy to deliver its transformation plans, the Executive established a Transformation Fund. 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 following table shows the allocations made to date.

Directorate	Service	Project Description	Transformation Funding Awarded
			£000
		Opening Balance	1,000
Communities	Education	Emotional Health Academy	-6
Resources	Commissioning	Invest to save posts in commissioning	-225
Resources	HR	Invest to save post - Apprenticeship Coordinator	-74
Resources	Legal	Shared service advice	-12
Communities	Education	Invest to save - Family Hub transformation	-28
Resources	F&P, HR, SSU	Invest to save - New Ways of Working project	-216
Communities	ASC	Transport	-5
		Total awarded 2017/18	-566
		Closing Balance 31.3.18	434
		Capital Receipts allocated to transformation	561
		Opening Balance 1.4.2018	995
Resources/Env	SSU/PPC	Commercial Group 2 sales & marketing officers(2yrs)	-169
Communities	ASC	Transport data reviewing officer extension	-3
Resources	Commissioning	Extend fixed term post 1 yr re ASC	-41
Resources	F&P	Digital transformation Revs and Bens	-147
Resources	Legal	Shared service advice	-16
Resources	Commissioning	Invest to save posts in commissioning	-42
Communities	ASC	Review of care packages	-150
Communities	ASC	Assistive Technology	-142
		Total awarded 2018/19	-710
		Closing Balance 31.3.19	285

Restructuring Provision

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

Schools in Financial Difficulty

£500k has been put into this reserve from the restructuring provision in order to recognise the risk of further schools going into financial difficulty. The reserve will be used to fund any additional support that the Council may need to provide to schools in financial difficulty.

Waste Management Strategy

This reserve has been used to support the transition to a new model of waste management.

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 2017/18 available on our website. Please note that these reserves estimates are before any changes from the 2018/19 financial year end.