

## Appendix D – Council Reserves

As part of the Council Tax setting process it is important that the Council takes into account its level of reserves in order to cover all known risks over the future financial year. The Council's main reserves have been detailed below, along with a commentary concerning their use and size. Reserves are one-off elements of funding and would require additional funds to increase these in future years.

### General Fund

The Council's General Fund reserve is the amount set aside for the year ahead that is uncommitted and for any purpose. The s151 officer's commentary in the later appendix details the level of reserve that the Council's Chief Finance Officer believes should be set aside as a minimum. For 2014-15, the minimum level has been set at £7.5m

General Fund	Amount / £m
As at 31.3.2013	8.14
Forecast Q3 (2013-14) position (under / over (-) spend	0
In year movements to / from the General Fund	0
Forecast 31.3.2014 position	8.14

### Children's Social Care Risk fund

This reserve has been set aside as part of the Children's social care budget pressure. Included within the 'base budget' is £0.8m for 2014-15 and a further additional £0.8m in 2015-16 (i.e. a recurrent £1.6m by 2015-16) that enables an increase in staffing establishment.

In the interim, the service is unlikely to be able to recruit to this level of permanent staffing and so will have a financial pressure due to recruiting agency staff. For 2014-15, the worst case scenario for a call on this reserve is £2.4m.

At present, this reserve is due to be at least £1.1m for the 1<sup>st</sup> April 2014. A further review of reserves following the end of the 2013-14 financial year will assess if this reserve can be increased.

If the full £2.4m is required for 2014-15, then any balance will be removed from the general reserves or through delivering an in-year underspend to compensate for any additional costs.

## Medium Term Financial Volatility Reserve

The Government's programme of public sector financial reform has led to an increase in the volatility that the income that the Council receives; primarily because of:

- the introduction of the retained Business Rates (the Council receives up to 30% of any growth in business rates but is liable for 50% of any losses up to a safety net of over £2m)
- the introduction of the Council Tax support scheme; if more residents are included within this, the Council is liable for the cost (unlike the previous CTX Benefit regime)
- Reductions to Government non - ring fenced grants
- Reductions to Government ring fenced grants

Due to the above, the Council's planning for income levels is much more volatile. Also, because of the scale of the reductions to Council funding, some of the Council's savings plan have a higher level of risk within them.

To minimise the short-term volatility to the Council's budget, there is a Medium Financial Volatility Reserve (MTFVR). The purpose of this is to mitigate short term pressures by its use and so delay the impact of these pressures to enable more long term planning into the Council's budgets.

MTFVR	Amount / £m
As at 31.3.2013	2.1
Forecast Q3 (2013-14) position (under / over (-) spend	0
Year end forecast movements to / from the Reserve	-0.6
Forecast 31.3.2014 position	1.5

## Future Debt repayment reserve

The purpose of this reserve is to enable the Council to take the most opportune periods of debt repayment. This might be to delay a long term borrowing decision because future capital receipts maybe forthcoming, or to fund the premium on debt repayment to generate revenue savings. This reserve is linked to the Council's Minimum Revenue Provision (MRP) which is detailed further in the Treasury Management Strategy and the Capital Strategy.

The present value of this reserve is £1.9m

## **Collection Fund**

This the balance of the previous year's deficit or surplus carried forward on the Collection Fund. The Collection Fund is an in-year account comparing the anticipated Council Tax and Retained Business Rates receipts with the forecasts made in January the previous year. Any deficit or surplus must be recognised in the next financial year's budget setting. Appendix E provides further detail.

## **Economic Risk fund**

This fund is for future restructuring liabilities. Where a restructure occurs and generates on-going revenue savings to help the Council achieve its objectives set out in the MTFs, then funding will be released.

The forecast year end value of this reserve is £0.4m

## **Organisational change / Transformational reserve**

The purpose of this reserve is to provide funding for future on-savings or to fund in year efficiency measures. A business case must be produced for funding to be allocated from this reserve.

The forecast year end value of this reserve is £0.2m taking account of £0.25m being allocated to the Strategy Director for Customer & Community Services to undertake a review of Children's Social Care to improve systems and processes to enable greater efficiency.

## **Unusable reserves**

The Council also holds a number of unusable reserves; these include the pensions reserve, revaluation reserve and Capital Adjustment Account. These reserves are not resource backed and cannot be used for other purposes beyond ensuring the Council complies with proper accounting practice.