

Earmarked reserves**Forecast year end balances for earmarked reserves**

	Balance	Projected balance
	1 April 2011	31 March 2012
	£m	£m
Investment Renewals Reserve	2.6	13.2
Equipment Replacement Reserve	3.4	0.7
Vehicle Replacement Reserve	3.4	2.2
Waste Sites Contingency Reserve	0.3	0.0
Budget Equalisation Reserve	22.2	15.2
Financial Investments Reserve	9.5	9.5
Street Lighting PFI Reserve	2.7	4.6
Insurance Reserve	6.2	6.2
Severe Weather Reserve	5.0	5.0
Eco Park Sinking Fund	3.0	3.0
Investment Reserve	0.0	5.0
Interest Rate Risk Reserve	0.0	3.2
Economic Downturn Reserve	0.0	4.4
General Capital Reserve	8.4	6.2
Capital Receipts Reserve	17.0	3.5
Total Earmarked Reserves	83.7	81.9

Purpose of earmarked reserves

Investment renewals reserve enables services to invest to make savings in the future. The reserve makes loans to services, which are repayable. The recovery of the loan is tailored to the requirements of each case. The 2012/13 budget increases this fund by £6m.

Equipment replacement reserve enables services to set aside revenue budgets to meet future replacement costs of large equipment items. Services make annual revenue contributions to the reserve and draw down to fund purchases.

Vehicle replacement reserve enables the future cost of vehicle replacement to be spread over the life of existing assets through annual revenue contributions.

Waste sites contingency reserve is held to meet as yet unquantifiable liabilities on closed landfill sites arising from the Environmental Protection Act.

Street light PFI reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance will be used when future expenditure in year exceeds the grant income due in that same year.

Financial investments reserve was set up in 2008/09 to mitigate potential future losses due to the failure of banks and financial institutions the Council had deposits with (e.g. Icelandic banks).

Budget equalisation reserve was established in 2008/09 to support the following year's budget from previous years' income and carried forward revenue budget underspends.

Insurance reserve is to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) (1992). The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve.

Severe weather/civil emergency reserve enables the Council to act decisively and with real urgency in the event of a serious incident.

Eco park sinking fund is to set aside the surpluses in the early years of the waste contract would smooth out the budget variations in later years. An initial contribution of £3.0m was made in 2010/11.

Investment Reserve is to provide funds for the council to acquire investment properties and respond quickly and to take advantage of changes in the property market to fund its capital programme.

Interest Rate Risk Reserve is enable the council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions.

Economic Downturn Reserve is to allay the risk of the effects of an economic downturn on the council's funding.

General capital reserve holds un-earmarked capital reserves, available to fund future capital expenditure.

Usable capital receipts are the proceeds from the sale of capital assets that have not been applied to capital schemes or projects.