

## List of earmarked reserves

A.7.1 Earmarked reserves are funds set aside for specific purposes and agreed by the Cabinet. Table A7.1 shows the Council's earmarked reserves. A description of each reserve follows below the table.

Table A7.1 Forecast year end balances for earmarked reserves

	Balance	Projected balance	
	31 March 2012 £m	31 March 2013 £m	1 April 2013 £m
Investment Renewals Reserve	11.1	12.2	12.2
Equipment Replacement Reserve	1.1	1.4	1.4
Vehicle Replacement Reserve	4.4	5.3	5.3
Waste Sites Contingency Reserve	0.3	0.3	0.3
Budget Equalisation Reserve	32.0	11.0	0.0
Financial Investments Reserve	9.5	9.5	0.0
Investment Reserve	5.0	5.0	0.0
Revolving Investment & Infrastructure Fund	0.0	0.0	20.0
Street Lighting Private Finance Initiative (PFI) Reserve	4.6	5.8	6.2
Insurance Reserve	7.2	7.4	7.4
Severe Weather Reserve	5.0	5.0	5.0
Eco Park Sinking Fund	3.0	8.0	8.0
Child Protection	1.3	2.7	2.7
Service Specific Government Grants	19.2	11.0	11.0
Interest Rate Risk Reserve	0.0	3.2	3.7
Economic Downturn Reserve	0.0	4.4	6.5
General Capital Reserve	8.4	7.5	7.5
<b>Total earmarked reserves</b>	<b>112.1</b>	<b>99.7</b>	<b>97.2</b>

### **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 business case, which is subject to robust challenge before approval as part of the Council's governance arrangements.

**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 make withdrawals 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 1990.

**Budget Equalisation Reserve** supports the following year's budget from previous years' income and carried forward revenue budget underspends. From 2011/12 £32m was brought forward and this was applied to support the 2012/13 revenue budget. The current forecast for the 2012/13 financial year is an underspending of £10m, which will be carried forward to support the 2013/14 budget.

**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 (specifically Icelandic banks). During 2012/13 it has been determined that all of the outstanding money will be returned to the Council, albeit over a number of years, and it is therefore proposed that this reserve be converted to the Revolving Investment & Infrastructure Fund.

**Street Light Private Finance Initiative (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. For 2013/14 this reserve will increase by £0.4m.

**Insurance Reserve** is to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992 and also possible claims against the council. The MMI 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. The council's actuary has advised that the council holds £3.5m for the MMI liability and a further £3.9m for other possible insurance claims.

**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 £3m was made in 2010/11 and a further £5m was contributed during 2012/13.

**Investment Reserve** was established to provide funds for the council to acquire properties and respond quickly and to take advantage of changes in the property market to fund its

capital programme. In 2013/14 it is proposed that this reserve be converted to the Revolving Investment & Infrastructure Fund.

**Child Protection Reserve** was set up in 2012/13 for the additional staffing costs as a result of the increase number of children subject to a child protection order. This reserve is to fund the costs until 2015/16, when the base budget will be increased to cover these costs.

**Service Specific Government Grants Reserve** holds government grants received in previous financial years which will be used to fund expenditure in the future.

**Interest Rate Risk Reserve** is to enable the Council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions. The 2013/14 budget includes a £0.5m contribution to this reserve.

**Economic Downturn Reserve** is to allay the risks of erosion in the council's tax base due to the impact of the localisation of council tax benefit and a down turn in the economy.

**Revolving Investment & Infrastructure Fund** is to provide funding for initiatives that will deliver savings and enhance income in the longer term. This reserve will be set up with £20m: a combination of deleting the Financial Investment Reserve and the Investment Fund, with the balance to be made up from the surplus on the council tax collection fund (which will be determined before the end of the financial year 2012/13).

**General capital Reserve** holds unapplied capital grants largely arising due to late notification by government leaving it too late for the Council to be able to apply. The reserve is available to fund future capital expenditure.

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