

### Projected Earmarked Reserves and Balances 31 March 2020

The Council holds a number of Earmarked Reserves for various purposes, which are listed below:

- i) **Budget Equalisation Reserve:** This reserve was set up to support future years' revenue budgets from unapplied income and budget carry forwards.
- ii) **Business Rate Appeals Reserve:** As part of the localisation of business rates the Council is liable to refund business rate payers for its share of business rates if it is determined that a rate payer has been overcharged rates. This reserve will be used to fund any successful appeals.
- iii) **Economic Prosperity Reserve:** This 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 provide for investment in the local economy.
- iv) **Revolving Investment & Infrastructure Fund:** This Fund was established in the 2013-18 Medium-Term Financial Strategy in order to provide for the revenue costs of funding infrastructure and investment initiatives that will deliver efficiencies and enhance income in the longer-term.
- v) **Insurance Reserve:** This reserve holds the balance resulting from a temporary surplus or deficit on the Council's self-insurance fund and is assessed by an actuary for the possible liabilities the Council may face. It specifically holds £4.2m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 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. The balance on this reserve represents the latest assessed possible liability.
- vi) **Investment Renewals Reserve:** Enables investment in service developments. The reserve makes loans to services for invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as a part of the Council's governance arrangements.
- vii) **Capital Investment Reserve:** To fund revenue costs to pump-prime capital investment.
- viii) **Eco Park Sinking Fund:** To smooth the impact of the compressed distribution of the contract costs and re-profiling of the PFI credits.
- ix) **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. This reserve is being phased out over the medium-term to ensure consistency in the application of revenue funds for capital across the Council.
- x) **Street Lighting PFI Fund:** This reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance in this reserve will be used in future years when the expenditure in year will exceed the grant income due to be received in the same year.

- xi) Transformation Reserve:** This was established to pump-prime projects that required upfront expenditure to deliver service re-design, critical to the Council.
- xii) Interest Rate Reserve:** This 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.
- xiii) SEND & Schools Balances:** This represents unapplied revenue resources accumulated by maintained schools with delegated spending authority. The balance is controlled by schools and is not available to the Council for other purposes. The reserve has also been set aside to fund the deficit on the DSG High Needs Block, in the very unlikely situation it had to be resourced.
- xiv) Revenue Grants Unapplied:** This reserve holds grants from central government which have been held in reserve as expenditure in relation to the grant has yet to be incurred.

#### Forecast use of Earmarked Reserves & Balances

Reserve	Opening Balance 1 April 2019 £m	Forecast Movement £m	Forecast Balance at 31 March 2020 £m
Budget Equalisation Reserve	30.0	(0.4)	<b>29.6</b>
Business Rate Appeals	28.6		<b>28.6</b>
Economic Prosperity Reserve	11.7		<b>11.7</b>
Revolving Investment & Infrastructure Fund	11.1		<b>11.1</b>
Insurance	10.4	0.2	<b>10.6</b>
Investment Renewals	5.2		<b>5.2</b>
Capital Investment Reserve	4.9		<b>4.9</b>
Eco Park Sinking Fund	16.4	(0.4)	<b>16.0</b>
Equipment Replacement	2.9	0.7	<b>3.7</b>
Street Lighting PFI fund	3.1	(0.6)	<b>2.5</b>
Transformation Reserve	2.0	(0.5)	<b>1.5</b>
Interest Rate	1.0		<b>1.0</b>
<b>Earmarked Reserves</b>	<b>127.5</b>	<b>(1.0)</b>	<b>126.4</b>
SEND High Needs Block cover	18.7	28.9	<b>47.6</b>
SEND High Needs Block (DSG)	(18.7)	(28.9)	<b>(47.6)</b>
School Balances (SEN, Early years, Mainstream schools and Central, Building Maintenance and Staff cover)	43.2	1.8	<b>45.1</b>
<b>SEND &amp; School Balances</b>	<b>43.2</b>	<b>1.8</b>	<b>45.1</b>
Revenue Grants Carried Forward	21.0	(3.0)	<b>18.0</b>
<b>Total Earmarked Reserves</b>	<b>191.6</b>	<b>(2.2)</b>	<b>189.4</b>
<b>General Fund Balance</b>	<b>21.3</b>	<b>0.0</b>	<b>21.3</b>