

### Projected Earmarked Reserves and Balances 31 March 2022

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 or business rate income due to the impact of the localisation of Council Tax benefit and other factors influencing the collection of local taxes; 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 unexpected change in interest rates or other borrowing conditions.
- xiii) CFLC Inspection and System Improvements:** This reserve is to fund additional costs in preparation for the OFSTED re-inspection as well as reviewing and renewal of the monitoring and recording case system for children social care services funded from a review of the revenue unapplied grants
- xiv) COVID-19 Emergency Fund:** This is un ringfenced government grant money to support Surrey County Council to fund the loss of income and extra costs associated with the pandemic.
- xv) DSG & 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 event that it has to be resourced by the Council.
- xvi) 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:** The Earmarked Reserves position presented below reflects the estimated closing balance for 2021/22 and hence the total reserves available for the financial year 2022/23. The 2022/23 budget assumes no overall movement in reserves, except where they are held for technical purposes such as the PFI sinking funds.

	Opening Balance 1 April 2021	Forecast Movement	Forecast Balance at 1st April 2022
	£m	£m	£m
Budget Equalisation *	84.4	(15.0)	69.4
Business Rate Appeals	28.6		28.6
Economic Prosperity	11.7		11.7
Revolving Investment & Infrastructure Fund	11.1		11.1
COVID-19 Emergency Fund	6.2	4.9	11.1
Insurance	10.6		10.6
Investment Renewals	5.1		5.1
Capital Investment Reserve	7.4		7.4
Eco Park Sinking Fund	23.1		23.1
Equipment Replacement	3.3		3.3
Streetlighting PFI Fund	1.8		1.8
Transformation Reserve	1.1	15.0	16.1
Interest Rate Reserve	1.6		1.6
CFL Inspection and System Improvements	0.7		0.7
<b>Earmarked Reserves</b>	<b>196.7</b>	<b>4.9</b>	<b>201.6</b>
Schools Balances	50.7		50.7
DSG High Needs Deficit	(83.1)	(32.6)	(115.7)
DSG High Needs Block Offset**	83.1	32.6	115.7
<b>SEND &amp; School Balances</b>	<b>50.7</b>	<b>0.0</b>	<b>50.7</b>
Revenue Grants Carried Forward	35.5		35.5
<b>Total Earmarked Reserves</b>	<b>282.9</b>	<b>4.9</b>	<b>287.8</b>
<b>General Fund Balance</b>	<b>28.0</b>	<b>0.0</b>	<b>28.0</b>
<b>Overall Total</b>	<b>310.9</b>	<b>4.9</b>	<b>315.8</b>

- \* The movement on the Budget Equalisation Reserve (a £15m reduction) consists of a £15m transfer out to the Transformation Reserve. The M8 revenue forecast for 2021/22 is for a £8m deficit, offset by a £20m contingency so the outturn position may allow an additional transfer to reserves
- \*\* Current legislation requires us to account for the DSG deficit as an unusable reserve, so our statement of accounts records this separately and therefore shows a higher reserves balance of £366m. For budgeting purposes, it is more prudent to show the deficit alongside the offset.

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