

Name of meeting: Corporate Scrutiny Panel Date: 13 December 2021

Title of report: Council Financial Management Update – reserves

Purpose of report

Council financial management update on reserves.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	No
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director for Finance Is it also signed off by the Service Director for Legal Governance and Commissioning	Rachel Spencer-Henshall : 2 December 2021 Eamonn Croston : 2 December 2021 N/A
Cabinet member <u>portfolio</u>	Cllr Paul Davies

Electoral wards affected: All

Ward Councillors consulted: N/A

Public or private: Public

Has GDPR been considered? Yes

1. Summary

Introduction

- 1.1 Kirklees Council is a large and complex metropolitan authority, serving a population of 440,000 (8th largest of 36 metropolitan authorities) ; 6th largest metropolitan authority by geographical size, and has statutory responsibility for education, vulnerable children and adults. It is also the landlord to 23,000 Council tenants and leaseholders. In terms of financial scale, the Council spends about £1 billion per annum; funded by a combination of Government grants, local tax income, local fees and charges, tenant rental income and

other public sector organisation funding contributions.

- 1.1 Reserves are an important part of local authority financial strategies and financial resilience. Councils are statutorily required to balance their budgets on an annual basis, and also by the nature of their role, face a number of risks and opportunities, that are factored into their overall reserves requirement.
- 1.2 For the purpose of this report, reference to reserves here refers specifically to usable (cashable) reserves i.e. earmarked and unallocated reserves (general balances). The Council also holds a range of unusable reserves on its balance sheet, reported annually as part of the Council's annual financial statements. Examples include the Pension Reserve and Capital Adjustment Account, which hold costs the Authority has accrued but not yet financed and cannot be spent on Council services. Unusable reserves are outside of the scope of this paper, other than DSG deficit, for reasons explained in more detail at paras 1.17-1.20 of this report.
- 1.3 The Council's 2020/21 financial outturn and rollover report to Council on 8 September 2021, noted general fund reserves at £197.4m as at 31 March 2021 (£115.7m in 2019/20). Current general fund reserves are set out at Appendix A in more detail. This information, which includes indicative future year forecasts, was included in the Council 2022/23 budget strategy update report to Council on 13 October 2021.
- 1.4 In addition to the general fund, the Council's Housing Revenue Account (HRA) accounts for spend and income relating to the provision of Council landlord services to Council tenants and leaseholders, also holds reserves which are ring-fenced to the HRA. As at 2020/21 year end, year-end HRA reserves were £56.1m; a reduction of £2.5m from the £58.6m in 2019/20.
- 1.5 The requirement to hold reserves reflects a combination of factors, including **external** factors. Examples include resource levels, demand pressures, inflation and interest risks, likelihood of exceptional incidents. Past Council examples of external factors resulting in reserves drawdowns include responses to severe weather events and dealing with environmental incidents at business premises.
- 1.6 Significant demand pressures on Special Educational Needs and Disabilities (SEND) resulting in unfunded High Needs spend pressures from 2017/18 onwards, were also met at least in part by general fund reserves; £12.4m in total. Government has subsequently introduced a statutory instrument which prohibits DSG deficits from being charged to a revenue account from April 2020 onwards, and instead is accounted for as an unusable reserve on Council balance sheets.(see also paragraphs 1.17 -1.20 below).
- 1.7 Local Authority views of external risk also are heavily influenced by their perceptions of stability in the funding system, brought into stark focus recently by the global pandemic, and also emerging national policy developments.
- 1.8 In addition, **internal** factors may include the ability and timing of delivery of savings, overall financial standing of the Council, and the financial risks inherent in any new significant funding partnerships, major outsourcing arrangements or major capital developments. Reserves requirements may also be a reflection of future service investment needs e.g. major transformation projects.

Statutory basis for reserves requirements

- 1.9 There are a range of safeguards in place that mitigate against local authorities over-committing themselves financially. One of the safeguards currently under scrutiny nationally are CFO s114 statutory powers. This refers specifically to s114 of the Local Government Finance Act 1988 which requires any CFO in England and Wales to report to all the authority's Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 1.10 This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a s114 notice cannot be taken lightly and has serious operational consequences. The authority's full Council must meet within 21 days to consider the s114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.
- 1.11 Under Section 25 of the Local Government Act (2003), in setting annual budgets the statutory s151 officer is required to give positive assurance statements in relation to the robustness of budget estimates and the adequacy of reserves and balances.
- 1.12 There is no prescriptive guidance on the latter. Most recent sectoral guidance comes from a joint CIPFA/Local Authority Accounting Panel (LAAP) paper in 2014, which states:
- i) when reviewing their medium-term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves;*
 - ii) authorities should make their own judgements on such matters taking into account all the relevant local circumstances; and*
 - iii) in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.*
- 1.13 LAAP guidance says that the advice chief finance officers provide to members should be set in the context of the authority's risk register and medium term plans and should not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be used to fund shortfalls in current funding.
- 1.14 The Council's corporate risk register, which captures a range of the most significant organisational risks, was most recently reported to full Council on 13 October 2021 as part of the 2022/23 Council Budget Strategy Update report, and this is included at Appendix B.
- 1.15 A number of Council reserves are statutorily ring-fenced for specific purposes and cannot be used for other purposes. This includes school balances and Public Health earmarked reserves. The Council also provides landlord services to Council tenants and leaseholders. Income and expenditure relating to landlord services is held in a statutory ring-fenced housing revenue account (HRA). This also means that HRA reserves are entirely ring-fenced to this account, and cannot transfer to the Council's general fund, or vice versa.
- 1.16 A number of items within the Council's 'Revenue Grants' reserve are classed as reserves as a result of Accounting Code changes on income recognition, implemented from April 2011 as part of the transition to International Financial Reporting Standards (IFRS). Previously these were held as 'receipts in advance' on the Balance Sheet and then released to match against relevant expenditure as it was incurred in the following year(s). The new treatment requires that such grants are treated as income in the year they were

received and the unused balance held in a Reserve; to be released at a future point to offset the relevant expenditure.

Dedicated Schools Grant (DSG) deficit

- 1.17 As reported extensively in the corporate member arena, the Council has a significant and increasing DSG deficit, as a result of unfunded pressures on SEND activity in excess of Government annual High Needs funding allocations. While this has become an increasingly national issue for Councils with statutory education responsibilities, this Council's cumulative deficit at 2020/21 year end was one of the largest nationally, at £25.1m. As also reported as part of 2021/22 Quarter 2 financial monitoring to Cabinet on 16 November 2021, the deficit is expected to increase to at least £35m by current year end.
- 1.18 As noted at paragraph 1.6 earlier, Government introduced a statutory instrument which covers financial years 2020/21, 2021/22 and 2022/23 and means Council DSG deficits must be moved to an unusable reserve. In a pure technical accounting sense, the Council cannot recognize the deficit, as it falls within the definition of unusable reserves.
- 1.19 Government's intention with the statutory instrument, which in itself is only temporary, is effectively to buy Councils some time while they consider options to deal with the growing national DSG deficit issue.
- 1.20 However, in reality the deficit has to be paid for by the Council. The Chief Finance Officer's professional view is that the DSG deficit has to be considered as an effective offset against available reserves as part of the overall Council consideration of Council reserves requirements, regardless of the current accounting treatment.

National context

- 1.21 There have been a number of Public Interest Reports (PIR's) published in recent times by external auditors in relation to a relatively small number of Local Authorities that for various reasons, have fallen into considerable financial difficulties. Grant Thornton, who are also the Council's current auditors, produced a summary report 'lessons from recent Public Interest Reports' in March 2021, which is also appended to this report for information. With specific reference to the ongoing impact of COVID at the time the report was written in March 2021, it includes the following commentary :

"...for a small number of councils, it (COVID-19) has exposed their chronic financial instability. For other councils, even a net marginal downturn in their financial position has exposed insufficient reserves.

There are many further risks posed from COVID-19 to all councils and their local economies, such as the future of the high street and increased demand pressures including for unemployment and care services linked to mental health.

Councils' financial sustainability is a topic that has been subject to very mixed messaging for a long period of time and government ministers have, in the past, complained about the high level of council reserves nationally.

Some Councillors themselves have also questioned locally why significant reserves are needed. In our view, those councils who have, throughout the period of grant reduction, recognised and been committed to maintaining adequate reserves, have not only continued to provide strong services but have also put themselves in a position to ride out

the current pandemic storm.

This, we believe, is the absolute and fundamental lesson from the PIRs issued in the last few months. Maintaining sound reserves is absolutely vital and a key indicator of sound financial governance. It should be at the heart of all medium-term financial plans

In our view, general fund reserves (including earmarked general fund reserves) should be a minimum of 5% of net spending and arguably should be somewhere between 5 and 10%.

This level of reserves will provide councils with a vital cushion. The lower reserve levels are, and the more rushed, the more ill thought through and, in some cases, the more desperate some council schemes tend to get, leads to greater problems...”

- 1.22 The following section sets out in more detail current reserves held, any relevant national benchmarking information, and local and national context for Council reserves strategy refresh as part of the annual budget report for 2022/23 and future years, to Budget Council on 16 February 2022.

2 Information required to take a decision

2.1 Current Reserves held - General Fund

- 2.1.1 The Council's 2020/21 financial outturn and rollover report to Council on 8 September noted the year end general fund reserves position at £197.4m; a net increase of £81.7m from 2019/20 (£115.7m).
- 2.1.2 The single biggest factor for the £82m increase was the roll forward of COVID funding received from Government in 2020/21, into 2021/22. This reflects timing issues where the Council received COVID Government funding in 2020/21 that could be flexibly rolled forward for Councils to drawdown against continuing COVID pressures in 2021/22. In total, this represented about £49m of the reserves increase between 2020/21 and 2021/22 and it is expected that most of the remaining COVID funding held in reserves will be drawn down in 2021/22.
- 2.1.3 A further £14.4m of the reserves year end increase was technical in nature, and relates to the statutory instrument referenced at paragraph 1.6 earlier, which moved the DSG deficit to unusable reserves.
- 2.1.4 There were also a number of planned, general fund reserves increases in-year, including Demand Reserve £3.6m, Inclusive Investment £1m, and Transformation Reserve £2.3m; approved as part of the 2020/21 financial outturn and rollover report. A further £1m relating to treasury smoothing, and £0.5m Place standard reserves were also approved at this stage.
- 2.1.5 School balances reserves also increased by £3.6m during the year, and Public Health reserves by £0.4m; both these are statutory ring-fenced reserves. Revenue grant reserves (non-Covid) also increased by £4.2m.
- 2.1.6 General fund reserves included at Appendix A have been categorized into the following broad headings:
- i) Ring-fenced reserves (school balances, Public Health)
 - ii) Transformation/Development Funds to support key Council objectives

- iii) Revenue grant and other reserves
- iv) COVID response reserves
- v) Risk reserves set aside for specific purposes
- vi) Budget risk reserves (financial resilience/demand reserves – aligned to the Council's corporate risk register)
- vii) Unallocated reserves – working capital (general balances)

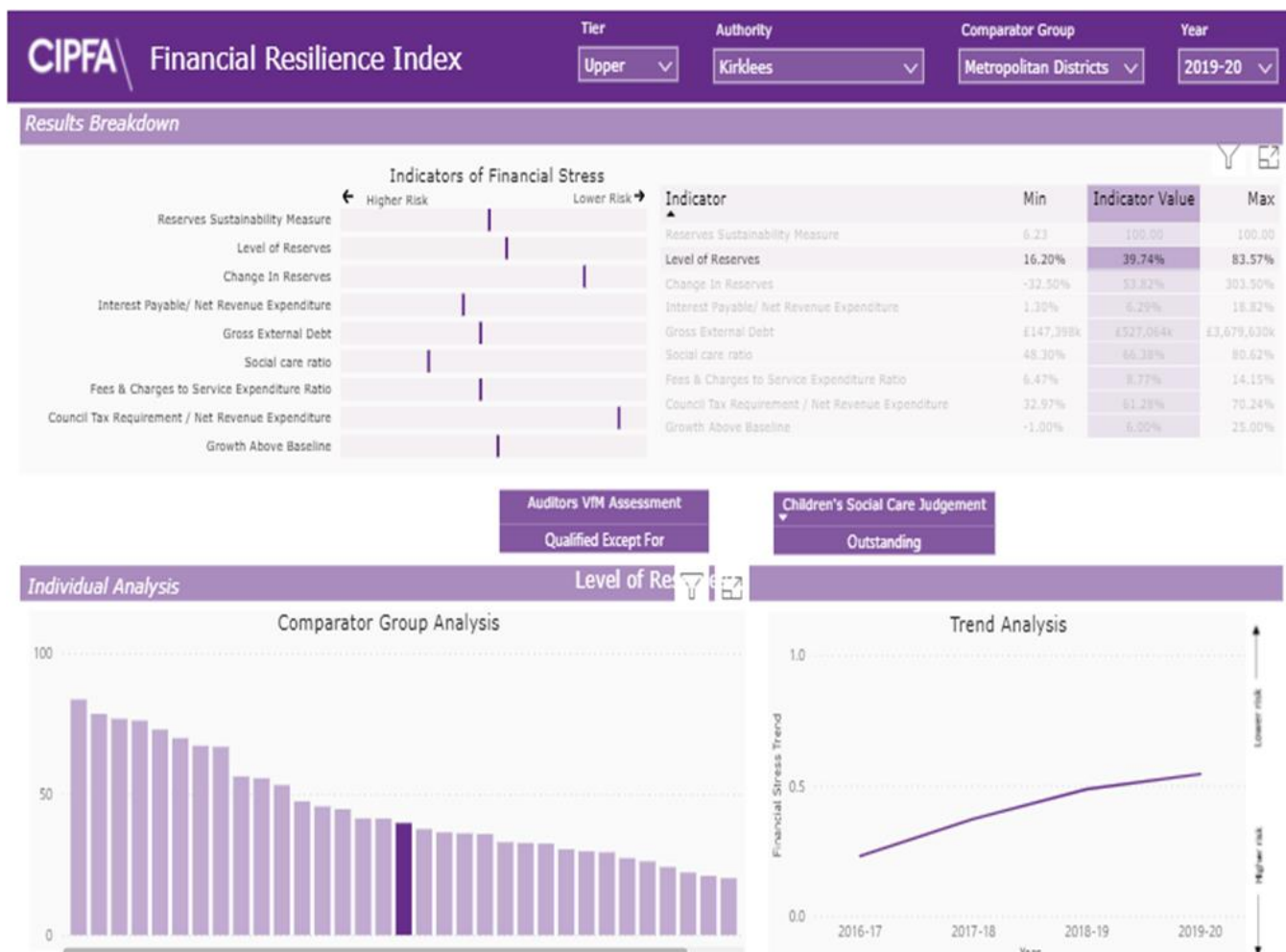
Also attached at Appendix A for reference is a summary description of the purpose for each of the reserves held.

2.2 National Benchmarking

- 2.2.1 CIPFA introduced a financial resilience index in 2018. It consists of a number of indicators which take publicly available data and compares similar authorities across a range of data, acknowledging that there is no single overall indicator of financial risk. The index is intended to support and improve discussions on local authority financial resilience.
- 2.2.2 The most current index is based on 2019/20 Council revenue outturn data at the time of writing this report, and CIPFA acknowledge that in effect the 2019/20 data represents a pre-COVID baseline. The index is in the public domain and is available through the following link :

[Financial Resilience Index 2021 | CIPFA](#)

- 2.2.3 The index for Kirklees Council is summarized below, compared against the other 35 metropolitan authorities:



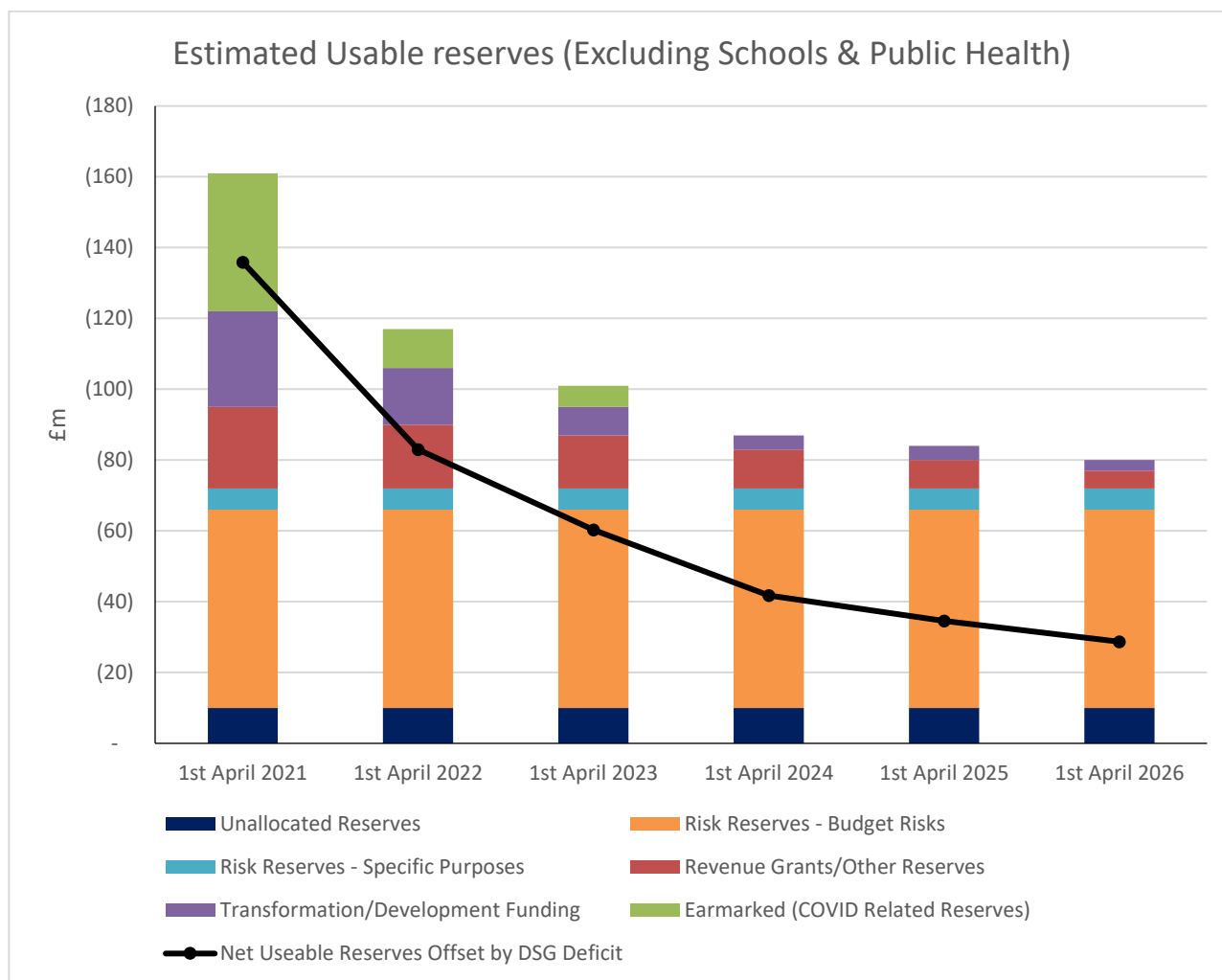
2.2.4 Overall level of reserves (excluding ring-fenced school balances & Public Health reserves), as a proportion of net revenue budget, is one of CIPFA's finance resilience indicators.

2.2.5 Kirklees percentage for 2019/20 is 39.7%, which is mid-range across the 36 metropolitan authorities; the lowest percentage being 16.2% and the highest 83.6%. This indicator has also been highlighted in recent Council budget reports in the corporate member arena.

2.2.6 It is further anticipated that CIPFA's publication of the updated 2020/21 benchmarked indices, when available, will highlight the fact that many Councils, similar to Kirklees, will show a significant but temporary increase in their own reserves, largely due to the COVID funding roll forward from 2020/21 into 2021/22.

General fund Reserves forecasts 2021-26

2.2.7 While the CIPFA resilience index is essentially a snapshot in time and backward looking, Appendix A also includes indicative future year reserves forecasts. These indicative forecasts are summarized in the graph below :



2.2.8 The graph indicates that the balance of COVID related reserves will largely be drawn down over the remainder of 2021/22 and 2022/23. It is also anticipated that Transformation/Development funding will also be largely drawn down over the same period to support a range of key Council strategic activity.

2.2.9 The balance of remaining reserves largely consists of budget risk and unallocated reserves over the period. By the end of 2025/26, the percentage of usable reserves to net general fund revenue budget would be in the region of 25%.

2.3 DSG deficit

2.3.1 As noted earlier at para 1.20, the advice of the Council's CFO is that the Council's DSG deficit has to be in view in consideration of Council net available reserves, regardless of the technical accounting treatment as an unusable reserve.

2.3.2 The line superimposed on the graph above reflects adjusted overall level of reserves, net of the expected cumulative DSG deficit (£50m) by the end of 2025/26. This is based on the Council's current draft management plan (10 point SEND transformation action plan) to bring the in-year DSG deficit into balance, over a 4 year period. Because this will take time, the cumulative DSG deficit will continue to grow over the same period, albeit at decreasing rates annually.

2.3.3 The line indicates that the adjusted available reserves by the end of 2025/26 is nearer 9% of general fund net revenue budget.

- 2.3.4 In recognition of the scale of our current DSG deficit, the Council is currently participating in a negotiation with the Department for Education to secure Government 'safety valve' funding to offset the cumulative DSG deficit. However, this is conditional on the Council having a robust management plan to bring the in-year deficit into balance over the medium term.
- 2.3.5 The negotiation will conclude mid-February 2022 with a Council finalised management plan submission for consideration by the secretary of state for education. A funding agreement is not guaranteed, and if agreed, the amount of Government funding may not cover all the cumulative deficit. If agreed, funding will be released in stages, subject to satisfactory Council progress to bring the in-year deficit into balance over time.

HRA reserves

- 2.3.6 Based on Quarter 2 financial monitoring forecasts, there is a planned drawdown from HRA reserves in 2021/22 of £10.7m to support HRA investment requirements in-year, and overall projected HRA reserves at 2021/22 year end of £47.9m.
- 2.3.7 The HRA is a self-financed account and is expected to balance over the 30 year modelled HRA business plan. HRA reserves are an integral part of the business model and HRA financial strategy. It is effectively a mechanism for rolling forward rental income streams into future years to support longer term HRA housing stock and related cyclical and new housebuilding investment needs. Within HRA reserves, there is a £4m set aside to cover off budget risks, and a further £1.5m set aside working capital balance.

2.4 Budget development 2022/23 & future years

- 2.4.1 The Council's reserves strategies are also reviewed and re-freshed annually as part of the annual budget report presented to Budget Council each February, noting the starting point for 2022/23 being a £14.6m general fund budget gap, based on existing multi-year plans rolled forward as the starting point.
- 2.4.2 The Government 3 year Spending Review (SR21) announcement on 27 October included some key headline funding announcement for local government, including a national core grant £1.5bn funding allocation in 2022/23; repeated the following 2 years; £4.5bn in total.
- 2.4.3 This is intended to cover a range of additional funding pressures from 2022/23, including the following : pay award, national living wage 6.6% uplift to £9.50, employer 1.25% additional national insurance charge (hypothecated to a new health and social care levy). It is also intended to cover short term inflationary pressures impacting on energy, materials, food costs; impacted on in particular by global supply chain issues unable to meet consumer demand. The core grant is also intended to cover COVID related pressures into 2022/23, and social care pressures in addition to the 1% adult social care precept allowable uplift.
- 2.4.4 Inflationary pressures are also expected to result in Bank of England incremental base rate uplifts over the coming 12 months; albeit from a historic current 0.1% base rate. The intention is to bring current CPI (4.2%) and predicted average CPI in 2022 (4.4% as per Office of Budget Responsibility October forecasts) back into line with 2% target over the medium term.
- 2.4.5 Also at the time of writing this report, there is global concern regarding the rapid spread of the Omicron variant of COVID, which may cause further short-term disruption if national

governments implement further infection control measures, and the consequential impact on the previously predicted optimism for accelerated economic recovery at the time of the SR21 announcement. This includes heightened uncertainty about prospects for earlier and sustained Council service and local tax income recovery going forward.

- 2.4.6 Social care reform was also a significant feature of SR21, but there remain significant concerns that the £3.6 billion funding envelope to fund funder contribution caps from October 2023, will be insufficient. Nor does it address social care pressures beyond 2022/23, which in part continue to be underwritten by ad hoc in-year funding allocations; largely directed through NHS and this is likely to continue into the medium term. Government appetite to implement national fair funding reforms also remains uncertain.
- 2.4.7 The above examples reflect a few key highlights under consideration as part of emerging budget development for 2022/23, alongside local ambition around the Council plan and 10 year regeneration agendas, including the Cultural Heart, and the emerging Council management plan to address the significant DSG deficit. Careful consideration of ongoing Council reserves requirements will continue to be an essential part of the Council's financial plans, strategies, resilience and sustainability going forward.

3. Implications for the Council

- (i) Working with people
- (ii) Working with partners
- (iii) Place based working
- (iv) Climate Change & Air Quality
- (v) Improving outcomes for children
- (vi) Other Legal, Financial or other implications

- 3.1 The local, national and statutory context for holding reserves, including emerging national and local intelligence in light of SR21 and the forthcoming local government provisional financial settlement release due in December, will be reflected in the Council's refreshed reserves strategy to be incorporated into the annual budget report on 16 February 2022 for member consideration.
- 3.2 Subsequent to this, Council reserves will continue to be subject to corporate scrutiny panel, Cabinet, Council , Corporate Governance & Audit Committee and external audit scrutiny and challenge through established and regular financial management reporting corporate member reporting cycles in-year.

4. Consultees and their opinions

Not applicable

5. Next steps and timelines

The Annual Budget Report for 2022/23 and future years will be presented to Cabinet on 16 February 2022 for Budget Council consideration, and this will include updated proposals for the Council's general fund and HRA reserves strategies as appropriate, for member consideration.

6. Officer recommendations and reasons

For Corporate Scrutiny panel to note and discuss the contents of this report.

7. Cabinet Portfolio holder's recommendations

As above

8. Contact Officer

Eamonn Croston, Service Director - Finance
eamonn.croston@kirklees.gov.uk Tel: 01484 221000

9. Background Papers and History of Decisions

Annual budget report 2021/22 and future years; Budget Council 10 February 2021
Annual Financial Outturn and Rollover Report 2020/21 to Council 8 Sept 2021.
Financial monitoring report 2021/22; Quarter 2 to Cabinet ; 16 November 2021
Council 2022/23 budget update report to Council; 13 October 2022
Spending Review 2021. Government website link :
<https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>

10. Service Director responsible

Eamonn Croston, Service Director for Finance
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General Fund Earmarked Reserves

APPENDIX A

	Reserves position 1st April 2021	2021-26 Budget Approved Transfers	Revised reserves position 1st April 2021	Revised reserves position 1st April 2022	Revised reserves position 1st April 2023	Revised reserves position 1st April 2024	Revised reserves position 1st April 2025	Revised reserves position 1st April 2026	Revised reserves position 1st April 2027
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Statutory</u>									
Schools Balances	(13,562)	-	(13,562)	(13,562)	(13,562)	(13,562)	(13,562)	(13,562)	(13,562)
Public Health	(1,539)	-	(1,539)	(1,539)	(1,539)	(1,539)	(1,539)	(1,539)	(1,539)
<i>Total Statutory</i>	<i>(15,101)</i>	<i>-</i>	<i>(15,101)</i>	<i>(15,101)</i>	<i>(15,101)</i>	<i>(15,101)</i>	<i>(15,101)</i>	<i>(15,101)</i>	<i>(15,101)</i>
<u>Earmarked</u>									
Transformation/Development Funding							-		
Ward Based Activity	(1,400)	-	(1,400)	(1,240)	(990)	(740)	(490)	(240)	-
Strategic Investment support	(4,954)	-	(4,954)	(2,954)	(954)	-	-	-	-
Waste Management	(5,684)	2,000	(3,684)	(1,684)	-	-	-	-	-
Mental Health	(1,202)	-	(1,202)	(601)	-	-	-	-	-
Inclusive Investment	(3,000)	-	(3,000)	(2,000)	(1,000)	-	-	-	-
Place Partnership Theme	(2,000)	-	(2,000)	(1,500)	(1,000)	(500)	-	-	-
Transformation	(2,348)	(2,000)	(4,348)	(2,848)	(1,348)	-	-	-	-
Place Standard	(500)	-	(500)	-	-	-	-	-	-
Local Welfare provision initiatives	-	(2,237)	(2,237)	-	-	-	-	-	-
Apprenticeship Levy	(3,191)	-	(3,191)	(3,191)	(3,191)	(3,191)	(3,191)	(3,191)	(3,191)
<i>Total Transformation/Development Funding</i>	<i>(24,279)</i>	<i>(2,237)</i>	<i>(26,516)</i>	<i>(16,018)</i>	<i>(8,483)</i>	<i>(4,431)</i>	<i>(3,681)</i>	<i>(3,431)</i>	<i>(3,191)</i>
Revenue Grants/Other									
Revenue Grants - Homelessness Support	(1,428)		(1,428)	(1,228)	(1,028)	(828)	(628)	(428)	(228)
Revenue Grants - Life Chances Fund	(1,405)		(1,405)	(1,205)	(1,005)	(805)	(605)	(405)	(205)
Revenue Grants - Sport England	1,102)		(1,102)	(902)	(702)	(502)	(302)	(102)	-
Revenue Grants - Refugees	(1,334)		(1,334)	1,134)	(934)	(734)	(534)	(334)	(134)
Revenue Grants - other	(8,050)	-	(8,050)	(7,169)	(5,969)	(4,769)	(3,569)	(2,369)	(1,071)
Rollover	(604)	-	(604)	(256)	-	-	-	-	-
Stronger Families Grant	(1,531)	-	(1,531)	(1,031)	(531)	-	-	-	-
Social Care Reserve	(2,099)	-	(2,099)	(1,599)	(1,099)	(599)	(99)	-	-

General Fund Earmarked Reserves

APPENDIX A

	Reserves position 1st April 2021	2021-26 Budget Approved Transfers	Revised reserves position 1st April 2021	Revised reserves position 1st April 2022	Revised reserves position 1st April 2023	Revised reserves position 1st April 2024	Revised reserves position 1st April 2025	Revised reserves position 1st April 2026	Revised reserves position 1st April 2027
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
School PFI	(1,282)	-	(1,282)	-	-	-	-	-	-
Other	(4,315)	-	(4,315)	(3,815)	(3,315)	(2,815)	(2,315)	(1,815)	(1,315)
Total revenue Grants/Other	(23,150)	-	(23,150)	(18,339)	(14,583)	(11,052)	(8,052)	(5,453)	(2,953)
Risk Reserves - Specific Purposes									
Insurance	(1,900)	-	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
Property and Other Loans	(3,000)	-	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Treasury Smoothing	(960)	-	(960)	(960)	(960)	(960)	(960)	(960)	(960)
Total Risk Reserves - Specific Purposes	(5,860)	-	(5,860)	(5,860)	(5,860)	(5,860)	(5,860)	(5,860)	(5,860)
Risk reserves - Budget Risks									
Financial Resilience Reserves	(37,146)	-	(37,146)	(37,146)	(37,146)	(37,146)	(37,146)	(37,146)	(37,146)
Demand Reserve	(19,306)	-	(19,306)	(19,306)	(19,306)	(19,306)	(19,306)	(19,306)	(19,306)
Total Risk Reserves - Budget Risks	(56,452)	-	(56,452)	(56,452)	6,452	(56,452)	(56,452)	(56,452)	(56,452)
Earmarked (COVID Reserves)									
COVID Unfunded Risks	(8,094)	-	(8,094)	(5,100)	(1,600)	-	-	-	-
Recovery Fund	(2,000)	-	(2,000)	(1,000)	(1,000)	-	-	-	-
Collection Fund (Risk)	(6,400)	-	(6,400)	(4,900)	(2,900)	-	-	-	-
Leisure Support (KAL)	(3,500)	-	(3,500)	-	-	-	-	-	-
COVID Grants (various)	(5,604)	-	(5,604)	-	-	-	-	-	-
COVID Business Grants Reserve	(7,953)	-	(7,953)	-	-	-	-	-	-
Extended Business Rate Relief Compensation	(23,955)	23,520	(435)	-	-	-	-	-	-
Tax Income Loss Compensation	(5,002)	-	(5,002)	-	-	-	-	-	-
Sub Total Earmarked (Collection Fund)	(62,508)	23,520	(38,988)	(11,000)	(5,500)	-	-	-	-
TOTAL EARMARKED	(172,249)	21,283	(150,966)	(107,669)	(90,878)	(77,795)	(74,045)	(71,196)	(68,456)
GENERAL BALANCES	(10,003)	-	(10,003)	(10,003)	(10,003)	(10,003)	(10,003)	(10,003)	(10,003)
GRAND TOTAL	(197,353)	21,283	(176,070)	(132,773)	(115,982)	(102,899)	(99,149)	(96,300)	(93,560)
Total usable reserves (excl. schools and public health)	(182,252)	21,283	(160,969)	(117,672)	(100,881)	(87,798)	(84,048)	(81,199)	(78,459)

General Fund Earmarked Reserves

APPENDIX A

[illegible]

Glossary of Reserves

RESERVE	DESCRIPTION
School Reserves	Statutory reserves relating to both individual schools balances/deficits carried forwards, and Dedicated Schools Grant (ring-fenced for schools related expenditure; surpluses/deficits carried forward).
Financial Resilience	Covers a range of potential costs highlighted in the Council's corporate risk register, including budget risks as set out in the sensitivity analysis within the 2021-26 Annual Budget report.
Rollover	To fund deferred spend commitments against approved rollover
Revenue Grants	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been occurred.
Public Health	Timing issues on Public Health grant spend commitments (Public health grant is statutorily ring-fenced)
Stronger Families	Set aside reflecting timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
Insurance	Mitigates against risk from increased liabilities and insurance claims.
Ward Based Activity	Set aside reflecting timing issues on ward based activity spend commitments
Social Care	Set aside to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet, August 2018.
Property and Other Loans	Set aside in part against the potential risk of future loan defaults; in part to offset potential unfunded technical accounting entries on General Fund revenue arising purely arising from the introduction of a new local government accounting code intended to strengthen balance sheet transparency.
Strategic Investment & Support	To address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
Waste Management	To support the implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022/23.
Mental Health (including Domestic abuse)	To support a number of local area based mental health initiatives.
Inclusive Investment Reserve	Set aside for a range of targeted development activity that supports the Council's inclusive investment ambition.
Schools PFI Reserve	Will be utilised to cover reduced DSG budget contributions to council services in 2020/21 and 2021/22
Demand Reserve	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
Place Partnership Theme	To encourage Place specific local initiatives
Treasury Smoothing Reserve	This reserve has been set aside to manage the volatility surrounding treasury management budgets with respect to both potential changes in interest rates and the level of delivery of the capital plan.
Transformation Reserve	Set aside for strategic transformation developments over the next 12 to 24 months.
Place Standard Reserve	Set aside to support the resourcing of emerging Place Standard action plans.
Local Welfare Provision Initiatives	Set aside for a range of existing Local Welfare Provision measures to support some of the borough's vulnerable families and individuals in financial hardship
Apprenticeship Levy	Set aside to fund future payments into the Apprenticeship levy
Other Earmarked	A range of smaller reserves earmarked for specific purposes.

RESERVE	DESCRIPTION
COVID Response Reserve	Specific reserve set aside to cover the costs of the Council's COVID-19 response.
COVID Grants (various)	Represents specific COVID grants recognised in the Comprehensive Income and Expenditure Statement in 2020/21 before expenditure was occurred.
COVID Business Grants reserve	Reflects the balance of COVID-19 Business Grants received and recognised in 2020/21 before expenditure was incurred.
Extended Business Rate Relief Compensation	During 2020/21, local authorities received approximately £10bn in S31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22. The full amount of additional s31 grants received has therefore been transferred into the extended business rates relief reserve, to be drawn down in 2021/22 against the rolled forwards collection fund deficit.
Local Tax Income Loss Compensation	Local authorities are being compensated for the loss of local tax income in 2020/21 as a result of COVID-19. The compensation amount has been transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forwards collection fund deficit.
General Fund Balances	General reserve set at £10m to support general working capital and cashflow requirements.