

**Name of meeting:** Corporate Scrutiny Panel  
**Date:** 28 November 2022

**Title of report:** Council financial update

**Purpose of the report**

To update Corporate Scrutiny Panel on current financial issues impacting on the Council

<b>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?</b>	<b>Yes</b>
<b>Key decision - is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?</b>	<b>Key decision - Yes</b>
<b>The Decision - Is it eligible for "call in" by <u>Scrutiny</u>?</b>	<b>No</b>
<b>Date signed off by Strategic Director &amp; name</b>	Rachel Spencer-Henshall, 18 November 2022
<b>Is it also signed off by the Service Director for Finance</b>	Eamonn Croston, 18 November 2022
<b>Is it also signed off by the Service Director – Legal, Governance &amp; Commissioning ?</b>	Julie Muscroft, 18 November 2022
<b>Cabinet member <u>portfolio - Corporate</u></b>	<b>Cllr Paul Davies</b>

**Electoral wards affected:** All

**Ward Councillors consulted:** All

**Public or private:** Public

**GDPR:** This report contains no information that falls within the scope of General Data Protection Regulations.

## 1. Summary

- 1.1 The Council financial update report presented to Corporate Scrutiny Panel (CSP) on 19 September 2022 set out the very significant global, national and local context and challenges for an emerging Cost of Living crisis and impact on the Council's in-year financial position (Quarter 1 financial monitoring). The report also informed Scrutiny Panel on the predicted wash through impacts of Cost of Living inflationary cost and other pressures on updated spend and funding assumptions that informed the

2023/24 Medium term Financial Strategy (MTFS) update report to Council on 7 September 2022.

- 1.2 This report presents a further update on the Council’s in-year financial position as at Quarter 2, current MTFS development in preparation for 2023/24, and a high level ‘heads up’ on the Government’s Autumn Budget Statement announcement on 17 November, and what the implications of this might be for local government funding for 2023/24.

**Quarter 2 2022/23 – Council financial monitoring position**

- 1.3 The Council’s Quarter 2 financial monitoring report was presented to Cabinet on 16 November 2022. The General Fund revenue financial forecast as at Quarter 2 is summarised below:

**Table 1 - Overview of 2022/23 forecast revenue outturn position at Quarter 2**

	Revised Budget	Outturn	Total variance	Variance split:	
				Cost of Living	Other
	£000	£000	£000	£000	£000
Children & Families	80,740	87,236	6,496	3,100	3,396
Adults & Health	116,993	118,768	1,775	-	1,775
Environment & Climate Change	38,707	48,329	9,622	2,228	7,394
Growth & Regeneration	16,152	17,930	1,778	-	1,778
Corporate Services	40,572	43,710	3,138	1,700	1,438
Central Budgets	45,920	57,428	11,508	15,500	(3,992)
<b>General Fund Sub-Total</b>	<b>339,084</b>	<b>373,401</b>	<b>34,317</b>	<b>22,528</b>	<b>11,789</b>
Reserves Drawdown to Offset Cost of Living	-	(10,000)	(10,000)	(10,000)	-
<b>Revised General Fund Total</b>	<b>339,084</b>	<b>363,401</b>	<b>24,317</b>	<b>12,528</b>	<b>11,789</b>

- 1.4 The forecast indicates an overall unbudgeted pressure of £34.3m; equivalent to 10.1% of the £339m net budget. The net pressure at £24.3m reflects Council proposed use of earmarked funds up to £10m in-year to help mitigate Cost of Living pressures.
- 1.5 The overall pressure represents an increase of £9.7m compared to Q1 forecast ; £2.7m relating to cost of living pressures (mainly pay award), and £7.0m other pressures; a combination of increased demand/cost pressures on statutory service provision for vulnerable adults and children, further inflationary pressures on a range of contracted activity including school transport and IT, and continued protracted discretionary income recovery across a range of service activity ; both service user and commercial income related.

**Cost of Living Crisis – council wide impacts**

- 1.6 The overriding pressure still is the impact of unbudgeted Cost of Living inflationary pressures; mainly gas price uplifts in excess of 400% & electricity price uplifts at over 100% resulting in a £11.7m in-year pressure for energy alone.
- 1.7 Elsewhere, the Council had budgeted for an assumed annual staff pay award of 2% for 2022/23. The Q2 report now incorporates the national employers association (representing Councils) agreed pay uplift for directly employed staff at £1,925 flat increase (full time equivalent). This averages out at 7.7% across all Council staff; adding a further £8.6m unbudgeted pressure in 2022/23. This excludes schools staff who are subject of a separate pay award offer of 5%.
- 1.8 Other unbudgeted inflationary pressures included fuel at £0.7m and food at £1.5m. The central budget underspend reflects the release of contingencies to offset service income losses.

### **Other pressures – key highlights**

- 1.9 Other pressures includes an overall £3.2m on schools transport across Children and Environment & Climate change Directorates; both demand and inflationary pressures on contracted provision. Elsewhere, there is some demand volatility across Adults activity with an overall forecast pressure of £1.8m, and in-year pressures against SEND base budget activity at £1.9m.
- 1.10 Within Environment & Climate Change Directorate, there are also service income loss pressures within car parking at £1.2m, catering at £0.8m and £1.2m across markets, town & public halls and bereavement. Similar income loss pressures in Growth & Regeneration Directorate include commercial rent losses at £0.8m. Corporate Strategy, Commissioning & Public health pressures includes IT at £0.6m; mainly contract and supply cost inflation pressures.
- 1.11 The Q2 monitoring report also makes reference to the funding agreement the Council now has with the Department for Education; for upto £33.5m funding support to help bring the Council's historic schools funding deficit position (relating to children and young people with high needs), into balance over the 5 year period; part of a wider transformation agenda for children and young people with Special Educational Needs and Disabilities (SEND).

### **Management actions**

- 1.12 Q1 report previously indicated that officers would consider a range of management actions to mitigate in-year pressures as far as possible. And a number of these measures have been implemented, otherwise the net pressure may have been higher; including review of agency costs, vacancy management, targeted use of one-off in-year government specific grant funding.
- 1.13 Alongside the above, officers will be bringing forward proposals to re-introduce the Government's flexible capital receipts policy from 2022/23 onwards, against allowable revenue expenditure. This is expected to release a minimum of £2m revenue pressure in the current year, and similar in future years against eligible transformation activity.
- 1.14 However, the extent of unbudgeted pressures reported at Quarter 2 have necessitated further actions to current year end. These include a temporary freeze on recruitment, reduction in agency staff, rationalising use of council buildings, increased scrutiny on all new expenditure and reductions in nonessential expenditure across services. This

is in addition to ongoing work to review in-year demand forecasts across adults and children's services, continued exploration of all external funding opportunities, ongoing review of fees and charges, and a corporate led capital plan review.

- 1.15 The above proposed further management actions are intended to help reduce forecast Council costs from current headline Quarter 2 projections, and will be phased in as appropriate over the coming weeks. The scale of potential additional cost reductions to current year end will depend on the subsequent timing of the implementation of the above measures. Based on a range of current intelligence including staff numbers and turnover trends, agency cost trends and net energy costs (and consumption trends over the period in question), a high level overall estimate of further cost reduction in the region of £4 million is considered reasonable at this stage, noting the intended deliverability of this in a relatively short timescale to current year end
- 1.16 To expedite the range of proposed management actions proposed above, at pace, Cabinet have also approved delegation for the temporary operational measures set out above, to the relevant strategic director in conjunction with the relevant portfolio-holder (s), to be taken at short notice as appropriate, having taken account of relevant powers duties and obligation to consult/ engage.

### **Council tax and business rates collection**

- 1.17 Elsewhere, the in-year position on collection fund, which accounts separately for council tax and business rates income collection, is broadly in line with £275m budgeted income forecasts, but subject to some element of volatility; in particular the impact on residents and business of the Cost of Living crisis and the potential effect this may have on the target in-year collection rates and bad debt provision requirements.

### **Housing Revenue Account**

- 1.18 The Council's Housing Revenue Account (HRA) accounts for all Council housing related revenue expenditure and income in a separate statutory (ring-fenced) account.
- 1.19 The forecast revenue outturn at Quarter 2 is a net £0.5m surplus against an annual turnover budget of £94.8m. The forecast includes a range of cost of living inflationary pressures including pay award at £0.7m and repair, maintenance and utility costs at £2.6m, offset by a combination of in-year efficiency savings including vacancy management, and HRA reserves offset of £1.8m.
- 1.20 Forecast HRA reserves at 31 March 2023, which includes providing for business risks and investment needs, are £38m.

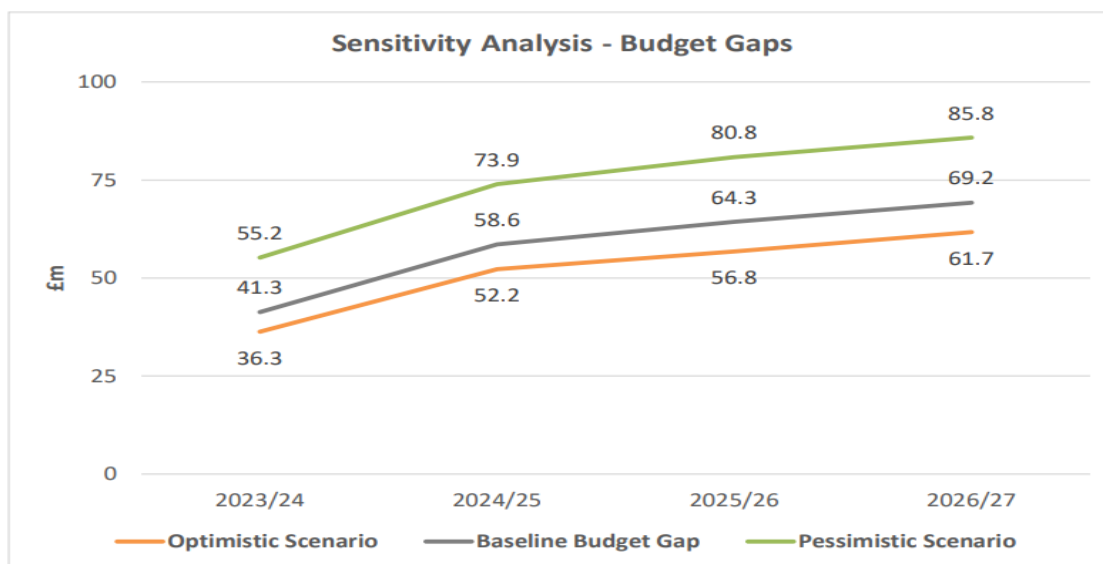
### **Capital Plan**

- 1.21 The overall capital plan for 2022/23 is £258m, and a projected outturn against this at £227m; an underspend of £31m. However, some £175m against the plan relates to major infrastructure/regeneration activity funded through West Yorkshire Combined Mayoral Authority, and it is anticipated that much of this will slip into future years.
- 1.22 The multi-year capital plan is currently subject to a more fundamental corporate review and affordability assessment, in light of the scale of financial challenges facing the Council; in particular relating to Cost of Living pressures.

- 1.23 The review will cover prioritisation, phasing flexibility including impact and risk assessment, funding alternatives to prudential borrowing, stretching the plan over a longer time frame, and subsequent proposals brought forward through the remainder of the current budget round for member consideration.
- 1.24 The overall affordability of the plan will be assessed against two key aspects. The first is annual revenue service debt requirements built into the baseline spend forecasts. The second aspect is current significant inflationary pressures on capital costs, which impact across the totality of the plan.

**Council Medium Term Financial Strategy (MTFS) Re-fresh 2023/24**

- 1.25 As reported to CSP previously, the updated MTFS is presented annually to Council and provides a financial planning framework for the consideration of subsequent budget proposals to come back to Budget Council early 2023, to deliver a balanced budget for the next financial year, as statutorily required. It also includes forecast spend and funding assumptions for subsequent years.
- 1.26 The 2023/24 MTFS update report presented to Council on 7 September 2022 was heavily informed by the roll forward of significant 2022/23 Cost of Living pressures into 2023/24, alongside a starting point budget gap already of £16.4m for 2023/24. The impact of Cost of Living pressures largely accounted for an overall increase in the budget gap to £41.3m for 2023/24. These included a pay award assumption at 5% for 2023/24 (current plan had assumed 2%), and further inflationary pressures on fuel, food and energy.
- 1.27 The report also included a high level sensitivity analysis, replicated below.



- 1.28 The baseline £41.3m budget gap forecast for 2023/24 is now likely to increase significantly and beyond the £55.2m more pessimistic scenario above, in light of the following; Q2 monitoring position, the likely continued global and national economic challenges, and consequential extended cost of living crisis and financial market impacts on energy price volatility, continuing labour supply and cost of living wage pressures, continuing CPI inflationary pressures and likely further upward pressure on bank of England base rates, and prospect of an extended recessionary period.
- 1.29 Alongside the above, the Service Director – Finance will give a more detailed verbal update on the impact of the Autumn Budget statement announcement on 17

November and what that means for local government finance; noting that the subsequent provisional funding settlement for local government for 2023/24, at an individual Council level, is not expected until 20/21 December 2022.

### **General fund Reserves**

- 1.30 Council reserves are an important element of overall financial strategy in terms of giving some added financial resilience to the organisation. In part, reserves, which are one-off funds, give the Council added protection against a range of potential unbudgeted risks. The current Cost of Living crisis has potentially significantly added to the level of risk exposure that Councils are already facing.
- 1.31 Reserves can also support a range of developments to meet specific organisational objectives, but in themselves should not be used to cover recurrent Council costs.
- 1.32 Within the Council's annual budget report, the Chief Finance Officer (CFO) has to give a positive assurance statement on the adequacy of reserves. The MTFs update report to Council on 7 September 2022 recommended that the Council has a minimum unallocated reserves requirement of £47m; equivalent to about 14% of net revenue budget (excluding ring-fenced public health reserves and school balances) at the start of 2023/24 to meet future unbudgeted risks.
- 1.33 At the start of April 2022, the Council held £149m in usable reserves, and is forecast to drawdown £70m in-year; includes budget approved 22/23 movements at £27m, and a further £34m reflecting the unplanned in-year forecast overspends.
- 1.34 Forecast year-end usable reserves are at £80m, as at Q2 monitoring (detailed breakdown of general fund reserves fin-year forecast attached at Appendix A). These are one off funds which are a significant part of the Council's financial strategy and resilience. In light of the extent of in-year drawdown; in the main to manage the impact of unprecedented cost of living pressures, the extent of reserves drawdown correspondingly reduces the Council's short and medium-term financial resilience, along with many others across the local government. As noted earlier in this report, the further consequential impact of the Government Autumn Statement announcement on 17 November on the Council's financial resilience and sustainability over the immediate and medium term, will be updated verbally at CSP on 28 November.
- 1.35 The further in-year management actions referenced in this report, alongside a range of developing budget proposals for 2023/24, will be considered against the increasingly challenging post Pandemic, Cost of Living crisis and Autumn Statement contexts referred to in this report.

## **2. Information required to take a decision**

- 2.1 The issues highlighted in section 1 of this report, alongside a verbal update on the likely impact of the Autumn Budget Statement for local government funding, will be considered at CSP.

## **3 Implications for the Council**

- 3.1 The Council's budget plans support the overall delivery of the following Council objectives and Priorities within available resources:

- i) Working with People
- ii) Place Based Working
- iii) Climate Change and Air Quality
- iv) Improving Outcomes for Children
- v) Cost of living impact on residents

### **Other (e.g Financial, Legal or Human Resources)**

- 3.2 A robust Medium Term Financial Plan and budget strategy is a key element of financial and service planning. The cost of living crisis as set out in this report presents a number of emerging and potentially significant pressures in 2022/23 and will require further and significant in-year management actions to address.
- 3.3 Alongside this, following the MTFFS report to Council on 7 September, and ongoing review of global, national, regional and local factors that continue to impact on the extent of the Council's financial challenge for 2023/24 which will be significant, budget proposals will be considered over the remainder of the current budget round ; ultimately for consideration at Budget Council early in 2023.

### **RISK ASSESSMENT**

- 3.4 The financial update presented in this report is based on a range of local, national and international intelligence, and risk assessments underpinning current and future funding and spend assumptions, acknowledging that the extent of these are all potential risk factors to the delivery of balanced budget plans over the medium term.

## **4. Consultees and their opinions**

- 4.1 This report is based on consultation with the Council's Executive Team and Cabinet members in assessing the current issues, risks and factors to be addressed.

## **5. Next Steps**

- 5.1 The Council's Chief Finance Officer (& Service Director, Finance) will co-ordinate the development of draft management actions and mitigation proposals for further Cabinet consideration to address the emerging in-year pressures, alongside consideration of emerging budget developments and proposals to inform the 2023/24 budget round, herein; including any significant baseline Council spend and funding assumption changes to feed into subsequent budget development and further in-year financial monitoring as appropriate.

## **6. Cabinet portfolio-holders recommendations**

That the contents of this report be noted and discussed.

## **7. Officer recommendations and reasons**

To note and consider the content of this report.

## **8. Contact Officer**

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## **9. Background papers and History of Decisions**

Annual budget report 2022/23 & future years - Budget Council, 16 February 2022  
Financial Update report 2022/23 - Corporate Scrutiny Panel, 5 July 2022  
Quarter 1 financial monitoring report 2022/23 – Cabinet, 9 August 2022  
Quarter 2 financial monitoring report 2022/23 – Cabinet 16 November 2022  
2023/24 Medium Term Financial Strategy update report – Cabinet 5 September /  
Council 7 September 2022

## **10. Service Director responsible**

Eamonn Croston, Service Director, Finance  
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## Appendix A

### General Fund Earmarked Reserves

	Reserves position as at 1 April 2022	Budget report Approved Movements	Revised reserves position at 1 April 2022	MTFS Approved Transfers	Planned Net Drawdown in-year	Unplanned use of Reserves ( <i>Forecast Variance</i> )	Forecasted Reserves position as at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statutory (School Reserves)</b>							
Schools Balances	(15,503)	-	(15,503)		-	-	(15,503)
Public Health	(1,442)	-	(1,442)		-	-	(1,442)
<b>Total Statutory (School Reserves)</b>	<b>(16,945)</b>	<b>-</b>	<b>(16,945)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,945)</b>
<b>Earmarked</b>							-
<b>Transformation/Development Funding</b>							
Ward Based Activity	(1,286)	-	(1,286)		120	-	(1,166)
Strategic Investment support	(4,500)	-	(4,500)		276	-	(4,224)
Waste Management	(2,000)	2,000	-		-	-	-
Mental Health	(639)	-	(639)		32	-	(607)
Inclusive Investment	(3,045)	-	(3,045)		159	-	(2,886)
Place Partnership Theme	(2,000)	-	(2,000)		-	-	(2,000)
Transformation	(4,166)	-	(4,166)		-	-	(4,166)
Place Standard	(1,000)	-	(1,000)		19	-	(981)
Local Welfare provision initiatives	(2,641)	2,641	(0)		-	-	(0)
Apprenticeship Levy	(2,915)	-	(2,915)		-	-	(2,915)
Workforce Planning				(1,500)			(1,500)
<b>Total Transformation/Development Funding</b>	<b>(24,192)</b>	<b>4,641</b>	<b>(19,551)</b>	<b>(1,500)</b>	<b>606</b>	<b>-</b>	<b>(20,445)</b>
<b>Revenue Grants/Other</b>							
Revenue Grants (various)	(18,468)	-	(18,468)		2,059	-	(16,409)
Rollover	(353)	-	(353)		319	-	(34)
Stronger Families Grant	(1,524)	-	(1,524)		-	-	(1,524)
Social Care Reserve	(1,285)	-	(1,285)		-	-	(1,285)
School PFI	-	-	-		-	-	-
Other	(3,645)	-	(3,645)		302	-	(3,343)
Drawdown to offset 2022/23 cost of living pressures					5,000		5,000
<b>Total Revenue Grants/Other</b>	<b>(25,275)</b>	<b>-</b>	<b>(25,275)</b>	<b>-</b>	<b>7,680</b>	<b>-</b>	<b>(17,595)</b>
<b>Risk Reserves - Specific Purposes</b>							
Insurance	(1,900)	-	(1,900)		-	-	(1,900)
Property and Other Loans	(3,000)	1,000	(2,000)		-	-	(2,000)
Treasury Smoothing	(960)	-	(960)		-	-	(960)

	Reserves position as at 1 April 2022	Budget report Approved Movements	Revised reserves position at 1 April 2022	MTFS Approved Transfers	Planned Net Drawdown in-year	Unplanned use of Reserves (Forecast Variance)	Forecasted Reserves position as at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total Risk Reserves - Specific Purposes</b>	<b>(5,860)</b>	<b>1,000</b>	<b>(4,860)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,860)</b>
<b>Risk Reserves - Budget Risks</b>							
Demand Reserve	(17,352)	-	(17,352)		8,550	-	(8,802)
<b>Total Risk Reserves - Budget Risks</b>	<b>(17,352)</b>	<b>-</b>	<b>(17,352)</b>	<b>-</b>	<b>8,550</b>	<b>-</b>	<b>(8,802)</b>
<b>Earmarked (COVID) Reserves</b>							
COVID Response - Unfunded Risks	(3,884)	3,884	-		-	-	-
COVID Response - Recovery Fund	(2,367)	-	(2,367)	1,500	105	-	(762)
COVID Response - Collection Fund (Risk)	(6,400)	6,400	-		-	-	-
COVID Response - Leisure Support (KAL)	-	(1,500)	(1,500)		-	-	(1,500)
COVID Grants (various)	(2,110)	-	(2,110)		694	-	(1,416)
COVID Business Grants Reserve	(284)	-	(284)		-	-	(284)
Extended Business Rate Relief Compensation	(11,915)	11,915	-		-	-	-
Tax Income Loss Compensation	(3,102)	1,334	(1,768)		-	-	(1,768)
<b>Sub Total Earmarked (Collection Fund)</b>	<b>(30,062)</b>	<b>22,033</b>	<b>(8,029)</b>	<b>1,500</b>	<b>799</b>	<b>-</b>	<b>(5,730)</b>
Q2 Overspend Position						<b>24,317</b>	<b>24,317</b>
<b>Total Earmarked</b>	<b>(102,741)</b>	<b>27,674</b>	<b>(75,067)</b>	<b>-</b>	<b>17,635</b>	<b>24,317</b>	<b>(33,115)</b>
<b>GENERAL BALANCES</b>	<b>(47,108)</b>	<b>-</b>	<b>(47,108)</b>	<b>-</b>	<b>-</b>		<b>(47,108)</b>
<b>Grand Total</b>	<b>(166,794)</b>	<b>27,674</b>	<b>(139,120)</b>	<b>-</b>	<b>17,635</b>	<b>24,317</b>	<b>(97,168)</b>
<b>Total usable reserves (excluding schools and public health)</b>	<b>(149,849)</b>	<b>27,674</b>	<b>(122,175)</b>	<b>-</b>	<b>17,635</b>	<b>24,317</b>	<b>(80,223)</b>

## Glossary of Reserves

RESERVE	DESCRIPTION
<b>School Balances</b>	Statutory reserves relating to both individual schools balances/deficits carried forwards.
<b>Public Health</b>	Timing issues on Public Health grant spend commitments (Public health grant is statutorily ring-fenced)
<b>Ward Based Activity</b>	Set aside reflecting timing issues on ward-based activity spend commitments
<b>Strategic Investment Support</b>	To address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
<b>Waste Management</b>	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.
<b>Mental Health (including Domestic abuse)</b>	To support a number of local area based mental health initiatives.
<b>Inclusive Investment Reserve</b>	Set aside for a range of targeted development activity that supports the Council's inclusive investment ambition.
<b>Place Partnership Theme</b>	To encourage Place specific local initiatives
<b>Transformation Reserve</b>	Set aside for strategic transformation developments over the next 12 to 24 months.
<b>Place Standard Reserve</b>	Set aside to support the resourcing of emerging Place Standard action plans.
<b>Local Welfare Provision Initiatives</b>	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
<b>Apprenticeship Levy</b>	Set aside to fund future payments into the Apprenticeship levy
<b>Workforce Planning</b>	Set aside for investment in key roles to safeguard frontline services and tackle an ageing Council workforce
<b>Revenue Grants</b>	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been incurred.
<b>Rollover</b>	To fund deferred spend commitments against approved rollover
<b>Stronger Families</b>	Set aside reflecting timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
<b>Social Care</b>	Set aside to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet, August 2018.
<b>Schools PFI Reserve</b>	Utilised to cover reduced DSG budget contributions to council services in 2020/21 and 2021/22
<b>Other Earmarked</b>	A range of smaller reserves earmarked for specific purposes.
<b>Insurance</b>	Mitigates against risk from increased liabilities and insurance claims.
<b>Property and Other Loans</b>	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.
<b>Treasury Smoothing Reserve</b>	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.
<b>Financial Resilience</b>	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.
<b>Demand Reserve</b>	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity

<b>RESERVE</b>	<b>DESCRIPTION</b>
<b>COVID Response Reserve</b>	Specific reserve set aside to cover the costs of the Council's COVID response.
<b>COVID Grants (various)</b>	Represents specific COVID grants recognised in the Comprehensive Income and Expenditure Statement before expenditure was incurred.
<b>COVID Business Grants reserve</b>	Reflects the balance of COVID Business Grants received and recognised in 2020/21 and 2021/22 before expenditure was incurred.
<b>Extended Business Rate Relief Compensation</b>	During 2020/21 and 2021/22, local authorities received S31 grants to offset the reliefs given to businesses during COVID. Under current Collection Fund accounting rules, the S31 grants received cannot be discharged against the Collection Fund deficit in-year. The additional s31 grants were therefore transferred into the extended business rates relief reserve, to be drawn down the following year against the rolled forwards Collection Fund deficit.
<b>Local Tax Income Loss Compensation</b>	Local authorities were compensated for the loss of local tax income in 2020/21 as a result of COVID. The compensation amount was transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forwards Collection Fund deficit.
<b>Unallocated Reserves</b>	General reserve set at £47m to support general working capital and cashflow requirements. Covers a range of potential costs highlighted in the Council's corporate risk register.