

Appendix B - Reserves

The Council's departmental reserves and the Capacity Building Reserve are monitored throughout the year and feed into the budget setting process accordingly. The following table summarises the expected balance for all reserves for 2019/20 to 2021/22:

Summary of Reserves	Balance Brought Forward 1.4.19	Forecast Balance 31.03.20	Forecast Balance 31.03.21	Forecast Balance 31.03.22
	£'000	£'000	£'000	£'000
General Fund Balance Note 3	6,000	5,111	6,000	6,000
Available Reserves				
Capacity Building Reserve Note 2	14,973	11,031	7,832	7,832
Grant Equalisation Reserve Note 1	4,214	0	0	0
Departmental Reserve	6,890	1,147	1,147	1,147
	26,076	12,178	8,980	8,980
Ring-Fenced Reserves				
Insurance Reserve	3,398	3,775	3,775	3,775
Schools Capital Expenditure Reserve	482	482	482	482
Parish Council Burial Ground Reserve	54	54	54	54
Hackney Carriage Reserve	226	226	226	226
Lease Consolidation Reserve	615	574	495	495
Public Health Reserve	364	(0)	(0)	(0)
	5,140	5,111	5,032	5,032
Total Available and Ring-Fenced reserves and General Fund Balance	37,217	22,400	20,012	20,012

Reserves Notes

- 1- £3.1m was drawn down as part of the budget setting process, the remaining balance has been moved to the Capacity Building reserve.
- 2- Capacity Building Reserve:
 - a. Includes commitments for the cost of redundancy and transformation, associated with delivery of savings plans outlined in the 2019/20 and 2020/21 MTFS.
 - b. The present forecast overspend in 2019/20 of £4m will be required to be funded from the Capacity reserve. If this is fully mitigated, as is the corporate plan, this increases reserves by this amount.
 - c. The reserve also assumes that the Council will be successful in its Capitalisation Direction application, which provide the Council the ability to borrow £9m, to fund revenue costs for fund transformation and redundancy. (As outlined in section 5.7 of the 2020/21 MTFS report- presented to this Cabinet meeting, and in the following section)
- 3- General Fund Balance - £0.889m will be used in 2019/20 for the Business Rates timing issue in relation to the receipt of section 31 grants and will be replenished when the income is received in 2020/21.

Capitalisation Direction Application

In January 2020 the council made an application to MHCLG to fund the costs of transformational activities, including expenditure incurred through acceptance of voluntary redundancies, through a Capitalisation Direction. Capitalisation is the means by which the Government, exceptionally, permits local authorities to treat revenue costs as capital costs. It is a relaxation of the accounting convention that revenue costs should be met from revenue resources.

Permission is given through capitalisation directions, which the Secretary of State has the power to issue under section 16(2)(b) of the Local Government Act 2003. The effect of a direction is that specified revenue expenditure becomes treated as capital expenditure, so that instead of having to be charged to revenue, it may be funded from capital sources e.g. borrowing, thereby increasing a local authority's financial flexibility.

The application was made on best estimates of costs likely to be incurred through transformational activity of service provision and costs of voluntary redundancy. The assumptions used in the initial estimate have been refined and the Council currently anticipates costs of £9.0m against the original estimated £10.2m requested. The revised estimate is outlined in the following table:

	Service Transformation £000	Redundancy £000	2019/20 £000	Service Transformation £000	Redundancy £000	2020/21 £000
Actual Costs	1,795	529	2,324	-	-	-
Estimated Costs	592	4,822	5,414	-	1,217	1,217
Total Costs	2,387	5,351	7,738	-	1,217	1,217
Capitalisation Direction Total 2019/20 and 2020/21						8,955

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