

## Review of Reserves

The Council holds a number of reserves as part of its approach to maintaining a sound financial position, protecting the Council to some degree from volatility in the risk in its budget going forward. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992 which requires councils to “have regard” to the level of reserves needed to meet future expenditure when calculating a budget. Part of sound financial management is to assess the adequacy of these reserves and release those reserves no longer required.

The Council has agreed to release the following amounts from the identified reserves:

Reserve	Reduction £000's	Percentage reduction on estimated balance as at 31/3/17 %	Implications
Insurance	1,250		Reduce reserve to a minimum level. This is a significant reduction in the level of this reserve and will need to be closely reviewed on an annual basis.
Education Early Retirement	121	100	The service will have to budget for and identify funding for any costs in the future.
Carry Forwards	289	66	Balance on fund not required.
Employment Issues	50	67	Funds earmarked for a potential repayment to HMRC no longer required
Grants carry forward	81	8	Balance on fund not required.
Invest for Income	400	100	Reserve set up in 2016/17 to progress projects. However with 2017/18 budget proposal to fund £0.5m for transformation on an ongoing basis this reserve can be released
Pension	80	100	Balance on fund not required.
Waste	16	7	
<b>Total Identified</b>	<b>2,287</b>		

The Council agreed to allocate the released reserves as follows:

- a) £2.0 million to be allocated to the Comprehensive Spending Review to fund the predicted 2016/17 Council overspend primarily as a result of budget pressures in children's and adults social care; and
- b) £0.277 million to the General Fund Reserve to be used as a contingency to support the Council's financial risks in future years.

The Council also agreed that, given the significant financial pressures facing the Council in future years, additional funds should be allocated, as required, to the Comprehensive Spending Review Reserve in each budget process from 2018/2019 onwards to increase, and then maintain, an ongoing minimum balance in the reserve of £2 million.

Each reserve has been assessed for its estimated balance as at 31st March 2017 and for the estimated additions or withdrawals from the reserve during 2017/18 and future years. This is included in the table at Appendix 1. This table shows the reserves taking account of the decision made by the Council in February 2017.

Appendix 2 provides a description of each of the Council's reserves.

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(The report which was considered by the Council in reviewing its reserves and the minutes from the meeting are available online at <http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=6618&Ver=4.>)

## Appendix 1

<b>Reserves</b> (Final – 23 February 2017)	Balance as at at 1/4/16 £'000	Balance as at at 1/4/17 £'000	Balance as at at 1/4/18 £'000	Balance as at at 1/4/19 £'000	Balance as at at 1/4/20 £'000
<b>General Reserves</b>					
General Fund	4,370	4,647	4,647	4,647	4,647
	4,370	4,647	4,647	4,647	4,647
<b>Earmarked Reserves</b>					
<b>Uncommitted Reserves:</b>					
Budget Pressures	308	0	0	0	0
Comprehensive Spending Review	3,661	3,698	127	627	1,627
	3,969	3,698	127	627	1,627
<b>Committed Reserves:</b>					
Approved Service Carry Forwards	1,788	436	274	181	181
Capital Funding Reserve	1,726	1,681	1,428	692	692
Council Elections	59	54	102	149	0
Grants	2,042	1,031	531	531	531
NNDR Collection Fund	1,230	934	934	934	934
PFI Sinking Fund	973	773	773	673	573
Prudential Borrowing	0	0	0	0	0
	7,818	4,909	4,043	3,162	2,912
<b>Partner/Ring Fenced Reserves</b>					
Devon Audit Partnership	19	19	19	19	19
EDC Reserves (Funds paid in advance)	789	789	789	789	789
Education Schools Exit Packages	306	261	241	241	241
Harbours Reserves	727	682	682	682	682
Public Health Reserve	1,202	831	308	26	26
School Balances	2,394	2,099	1,299	1,299	1,299
	5,438	4,682	3,338	3,056	3,056
<b>Specific issues</b>					
Art Objects Purchased Fund	24	24	24	24	24
Children's Services 5 Year Plan	1,100	0	0	0	0
Community Development Trust	89	0	0	0	0
Crisis Support Reserve	693	518	343	168	0
Disposal & Asset Rationalisation Costs	62	42	22	0	0
Domestic Abuse Reserve	127	77	0	0	0
Education Early Retirement	167	0	0	0	0
Employment Fund	456	97	43	25	25
Employment Issues	99	24	24	24	24
Equipment Reserves	138	121	59	59	59
Geopark	62	0	0	0	0
Green Travel Plan	53	25	0	0	0
Highway Reserves	585	575	550	525	500
Housing Reserves	142	100	80	60	40
Insurance Reserves	2,257	2,528	2,478	2,428	2,378

IT Equipment Reserve	358	0	0	0	0
Invest for Income Reserve	500	0	0	0	0
Land Charges	0	0	0	0	0
Office Accommodation Reserve	214	159	104	49	0
Oldway Mansion Reserve	0	600	600	600	600
Pension Reserve	80	0	0	0	0
Planning Reserve	384	166	66	12	12
Regeneration Reserve	10	15	20	25	25
South Devon Highway	0	0	0	0	0
Supporting People Commissioning	8	8	8	8	8
Taxi Reserve	29	29	0	0	0
Tourism	50	0	0	0	0
Training and Development Reserve	50	25	0	0	0
Waste Strategy	335	184	84	0	0
	8,072	5,319	4,506	4,008	3,696
<b>Total Earmarked Reserves</b>	25,297	18,608	12,014	10,852	11,291
<b>TOTAL RESERVES</b>	<b>29,667</b>	<b>23,255</b>	<b>16,661</b>	<b>15,499</b>	<b>15,938</b>

## Appendix 2

### Summary of Council Reserves

Name of Reserve	Description of Reserve	Responsible Officer
Asset Disposal Costs and Property Issues Reserve	To support the revenue costs associated with the rationalisation of the Council's assets	Kevin Mowat Executive Head Business Services
Budget Issues Reserve	To support future budgetary pressures in adult social care facing the Council in the medium term.	Martin Phillips Chief Finance Officer
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.	Martin Phillips Chief Finance Officer
Carry Forwards	Service Carry Forwards	Martin Phillips Chief Finance Officer
Children's Services 5 Year Strategy	Per Council approval to support Children's Services in the short term by £3.4m.	Andy Dempsey Director of Children's Services
Comprehensive Spending Review Reserve	To fund costs associated with meeting budget reductions as a result of the Government's comprehensive spending review.	Martin Phillips Chief Finance Officer
Community Development Trust Reserve	Reserve established by support the creation and three year support for a Community Development Trust.	Caroline Dimond Director of Public Health
Crisis Fund	Reserve to support the costs of social fund and exceptional hardship	Bob Clark Executive Head Customer Services
Domestic Abuse Reserve	To fund the costs of the integrated domestic abuse service for 2 years, starting September 2014.	Fran Hughes Assistant Director Community & Customer Services
Early Retirement Reserve	To enable the Council to meet childrens' redundancy related liabilities as they fall due. Built up from annual budgets for new redundancies.	Debbie Horn School Improvement Officer
Regeneration/TDA Reserve	Reflects the value of funds awarded to the TDA where the work has yet to be completed.	Kevin Mowat Executive Head Business Services
Employment Issues Reserve	To support employment related issues, such as equal pay and payroll related issues.	Anne-Marie Bond Assistant Director Corporate and Business Services
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.	Various

Geo Park Conference	To support costs of Geo Park Conference	Fran Hughes Assistant Director Community & Customer Services
Grants recognised but not used	Reflects the value of revenue grants (without conditions) received by 31 <sup>st</sup> March but not yet used to support expenditure	Martin Phillips Chief Finance Officer
Growth Fund Reserve	Reserve established from the New Homes Bonus grant to create a Growth Fund to support employment opportunities.	Kevin Mowat Executive Head Business Services
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.	Kevin Mowat Executive Head Business Services
Highways Act Reserves	Reserve holding funds received under Highways Acts and other legislation where the Council holds funds to do works.	Ian Jones Head of Highways
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve covers potential future liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims	Anne-Marie Bond Assistant Director Corporate and Business Services
IT Equipment Reserve	To provide funds for priority driven replacements of IT equipment.	Bob Clark Executive Head Customer Services
Invest for Income Reserve	New reserve to support the development of new income streams for the council and increased commercialisation of services.	Martin Phillips Chief Finance Officer
Land Charges Reserve	Reserve to fund any potential costs arising from changes in the charging regulations in relation to land charges.	Anne-Marie Bond Assistant Director Corporate and Business Services
NNDR Equalisation Reserve	Reserve to smooth the volatility of NNDR income including appeals, s31 grant and the performance of the Devon wide NNDR pool.	Martin Phillips Chief Finance Officer
Office Accommodation Reserve	Reserve to help meet the short term revenue costs of the rationalisation of office accommodation.	Kevin Mowat Executive Head Business Services
Oldway Mansion Reserve	Reserve funded from the developer contribution to be used for the benefit of the Mansion.	Kevin Mowat Executive Head Business Services
Misc. Specific Reserves	Includes: Council Elections, Taxi Survey, Art Objects, Devon Audit Partnership and Cemeteries.	Various

PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (Westlands and Homelands Schools) and to provide funding towards Paignton Community College expansion project.	Andy Dempsey Director of Children's Services
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years and Masterplan delivery.	Pat Steward Head of Spatial Planning
Public Health	Reflects carry forward of ring fenced funds for Public Health	Caroline Dimond Director of Public Health
Prudential Borrowing Reserve	Reflects the temporary surplus/deficit arising from the charges to services for the repayment of expenditure under Prudential Borrowing compared to actual interest and Revenue Provision.	Martin Phillips Chief Finance Officer
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives	Kevin Mowat Executive Head Business Services
School Balances	Reflects the carry forward by schools of their delegated school budget share.	Rachel Williams Head of Schools
School Redundancy Reserve	Reserve to support the costs of redundancies for schools based staff	Andy Dempsey Director of Children's Services
South Devon Highway	To support the development of the South Devon Highway	Ian Jones Head of Highways
Tourism (Strategic Events) Reserve	Reserve established in 2012/13 to support tourism and events.	Fran Hughes Assistant Director Community & Customer Services
Training and Development Reserve	New reserve to support the training and development needs of senior staff and members.	Anne-Marie Bond Assistant Director Corporate and Business Services
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.	Fran Hughes Assistant Director Community & Customer Services