

Reserves & Balances Policy Statement

As part of the financial planning process the Council will consider the establishment and maintenance of reserves and balances. In setting these, account is taken of the key assumptions underpinning the budget and financial strategy, together with the Council's financial management arrangements. Key factors considered include;

- Cash flow
- Assumptions on inflation and interest rates
- Level and timing of capital receipts
- Demand led pressures
- Planned economies
- Risk associated with major projects
- Availability of other funding (e.g. insurance)
- General financial climate

Reserves and Balances can be held for a number of purposes

General Balances

Balance	Purpose	Policy	Value
General Fund	Provides general contingency for unavoidable or unforeseen expenditure and to cushion against uneven cash flows and provides stability in longer term financial planning.	Policy based on a risk assessment of budget and medium term financial plans. Historically £4m has been considered to be the minimum prudent level, however because of the uncertainty surrounding the recovery of Icelandic funds it would not be prudent to let the balance fall below £6.5m until there is more certainty about how much will be repaid. Using balances to support expenditure results in a loss of investment income.	March 08 £5.757m March 09 £10.375m
Housing Revenue Account (HRA)	Provides for general contingency for unavoidable or unforeseen expenditure or a fall in income on the HRA	Following the transfer of the housing stock the remaining balance on the HRA has been transferred to the General Fund.	March 08 £4.701m March 09 £0m

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Earmarked Reserves

Earmarked Reserves are sums of money which have been set aside for specific purposes. These are excluded from general balances available to support revenue or capital expenditure. The Council has the following earmarked reserves:

Reserve	Purpose	Policy	Value
Insurance and other Uninsured Claims	This provides cover for the excess payable on claims under the Council's insurance policies (self insurance). It also provides for any potential future claims not covered by existing policies, including contractual disputes and legal claims	Needs to be at a level where provision could sustain claims in excess of current claims history	March 08 £2.212m March 09 £2.080m
Budget Carry Forward	Used to carry forward approved unspent monies to the following year.	Budget Carry Forwards are permitted only in accordance with the scheme set out in financial regulations.	March 08 £0.376m March 09 £0.549m
Corporate Innovations	This reserve is used for new projects which have been identified to help improve service delivery.	This reserve is no longer required. New projects will be funded from either the revenue budget or capital programme.	March 08 £0.206m March 09 £0m
Exceptional Environmental Conditions	This reserve is to provide cover for major incidents such as a flood or storm.	This reserve was created following a major environmental incident in 1987. As there has been no call on the reserve in the last 20 years and the probability of an incident is low the balance has been released to the General Fund.	March 08 £0.251m March 09 £0m
Cost of Structural Change	The reserve gives an opportunity to fund the one-off additional costs arising from restructuring before the benefits are realised.	This reserve will be used to meet organisational wide and departmental restructures where there are demonstrable future benefits.	March 08 £1.396m March 09 £1.396m

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Reserve	Purpose	Policy	Value
Performance Improvement	The balance of this fund will be used to fund LPSA2 allocations for projects to help meet all the ten targets to be achieved by the Council and its key partners	After allowing for allocations during the year, the reserve has been reduced to the amount required to meet future commitments.	March 08 £0.366m March 09 £0.073m
Regeneration of Bracknell	Over the past few years the Council has continued to lead on the redevelopment of the Town Centre and in particular the development of the Civic Hub project. This reserve is to fund the ongoing development work.	The balance on the reserve has been used to offset redevelopment costs funded from revenue.	March 08 £0.761m March 09 £0 m
Education Library Service	A joint arrangement with other Berkshire authorities for the Education Library Service. This reserve is used for the provision of future equipment such as a new mobile library.	The reserve is held in order to finance the renewal or maintenance of specific items of equipment and reduces pressure on maintenance budgets in one particular year. Use of the reserve is subject to the agreement of the Council's participating in the joint arrangement.	March 08 £0.128m March 09 £0.119m
School Improvement Commitments	This is a new reserve set up for 2007/08 to fund all fixed term contract staff through to the end of the next August i.e. 17 months of costs. In this way, relevant staff could be offered contracts for an academic rather than financial year period as this is a significant recruitment and retention incentive for staff supporting schools.	Due to a change in the method for financing standards grants this reserve is no longer required to fund the mismatch between the academic and the financial year.	March 08 £0.296m March 09 £0m
Repairs & Renewals	The Council has accumulated funding in an earmarked reserve from service charges paid by tenants at Longshot Lane	The reserve is held in order to finance the future improvement works at Longshot Lane, reducing pressure on maintenance budgets.	March 08 £0.002m March 09 £0.002m

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Reserve	Purpose	Policy	Value
Building Regulation Chargeable Account	A statutory ring fenced account which over a three year cycle must breakeven.	This reserve is held for specific accounting reasons. The funds in this reserve are ring fenced and cannot be used for any other purpose.	March 08 £0.002m March 09 -£0.020m
Landfill Allowances Trading Scheme (LATS) unused allowances	This reserve represents the unused LATS allowance which will be used to fund future shortfalls between the target set by DEFRA and the actual landfill usage	The unused allowances have reduced in value from £5.0 to £0.1 per tonne. As no trading occurred and the allowances cannot be carried forward to be used in 2009/10 the remaining balance on the reserve post revaluation (3k) has been reduced to zero.	March 08 £0.128m March 09 £0m
Supported Accommodation – Landlord costs	Tenants housed in furnished accommodation pay a service charge which will be accumulated in this earmarked reserve to replace furnishings.	This reserve is no longer required.	March 08 £0.035m March 09 £0m
Local Economy Steering Group	This is a new reserve set up for 2008/09. It has been created using LABGI income to fund initiatives that support the local economy.	The creation of the reserve was considered at CMT on the 18 February and is in response to the Council's new priority to sustain local economic prosperity.	March 08 £0m March 09 £0.034m
LPSA2 Performance Reward Grant	This is a new reserve set up for 2008/09 to hold the Performance Reward Grant until its allocation between the Local Strategic Partners can be accurately determined	This reserve is held for specific accounting reasons. The funds in this reserve are ring fenced and cannot be used for any other purpose	March 08 £0m March 09 £0.329m

Schools' Balances (included within the Council's Earmarked Reserves)

Reserve	Purpose	Policy	Value
Schools' Balances	These funds are used to support future expenditure within the Dedicated Schools Block and include individual school balances.	Balances are permitted to be retained by Schools under the Schools Standards & Framework Act 1998. Policies are set and the reserves are managed by schools and the LEA has no practical control over the level of balances	March 08 £1.619m March 09 £1.899m
Family Tree Nursery	A reserve created following the agreement to set up of a self funding Nursery. It holds the specific grant income received in advance and is used to manage future fluctuations in fee income from ongoing trading.	To manage short term fluctuations in demand for Nursery placements	March 08 £0.074m March 09 £0.112m
Brakenhale Open Learning Centre	A reserve used to retain surplus income generated from lettings to offset any future decrease in letting income arising from the relocation of the Open Learning Centre.	This reserve has been closed as it is unlikely that any surplus income will be generated in the future.	March 08 £0.019m March 09 £0m
Discretionary School Carry Forwards	The statutory requirement to carry forward school balances has been extended to cover those held for the Language & Literacy Unit, Pupil Referral Units and the Schools Specific Contingency as set out in the financial regulations.	Budget Carry Forwards are permitted in accordance with the scheme set out in financial regulations.	March 08 £0.092m March 09 £0.172m
Unused Schools Budget Balance	The Schools Budget is a ring fenced account, fully funded by external grants, the most significant of which is the Dedicated Schools Grant. Any under or overspending remaining at the end of the financial year must be carried forward to the next year's Schools Budget and as such has no impact on the Council's overall level of balances. 2008-09 is the first year of a three year provisional budget.	This reserve is held for specific accounting reasons. The funds in this reserve are ring fenced and cannot be used for any other purpose	March 08 -£0.157m March 09 £0.360m

Other Balances

Balance	Purpose	Policy	Value
Collection Fund Balance	The Collection Fund balance represents the surplus or deficit on the Collection Fund. This is a separate account which shows the transactions of the billing authority in relation to National Non Domestic Rates and Council Tax and the distribution to precepting bodies.	The balance on this fund is considered alongside the Council's annual budget and Council Tax proposals.	March 08 £0.534m March 09 £0.170m
Financial Instrument Adjustment Account	This is a new reserve set up for 2008/09 and represents the impairment charge on Icelandic bank financial assets. Bracknell Forest has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund by transferring it to this account.	This reserve is held for specific accounting reasons. The value is based on guidance received from CIPFA's Local Authority Accounting Panel.	March 08 £0m March 09 -£0.608m