

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. Using balances to support expenditure results in a loss of investment income.	March 08 £5.757m March 09 £10.375m March 10 £8.845m March 11 £9.970m

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 £2.079m March 10 £2.092m March 11 £2.119m
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 March 10 £0.101m March 11 £0.410m
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 March 10 £1.000m March 11 £1.594m
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 March 10 £1.617m March 11 £2.776m
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.	Although the Nursery has now been closed there may still be some one-off costs to be met in 2011/12.	March 08 £0.074m March 09 £0.112m March 10 £0.111m March 11 £0.111m

Reserve	Purpose	Policy	Value
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 March 10 £0.198m March 11 £0.132m
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. 2009-10 was the second 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 March 10 £0.139m March 11 £0.595m
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 March 10 £0.127m March 11 £0.100m
Repairs & Renewals	The Council has accumulated funding in an earmarked reserve from service charges paid by tenants at Longshot Lane, Forest Park and Liscombe.	The reserve is held in order to finance future improvement works thereby reducing pressure on maintenance budgets.	March 08 £0.002m March 09 £0.002m March 10 £0.024m March 11 £0.035m
Building Regulation Chargeable Account	A statutory ring fenced account which over time 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. The account is currently in deficit	March 08 £0.002m March 09 -£0.020m March 10 £0.000m March 11 £0.000m

Reserve	Purpose	Policy	Value
		and therefore there is no balance on the reserve.	
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	Unused LATS allowances had no value in 2010/11.	March 08 £0.128m March 09 £0.000m March 10 £0.076m March 11 £0.000m
Local Economy Steering Group	This was a new reserve set up for 2008/09. It has been created using LABGI income to fund initiatives that support the local economy.	This reserve was created in response to the Council's priority to sustain local economic prosperity.	March 08 £0.000m March 09 £0.034m March 10 £0.029m March 11 £0.006m
LPSA2 Performance Reward Grant	This was 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	The allocation of the grant has now been determined and the reserve cleared. The Council's share has been transferred to the General Fund.	March 08 £0.000m March 09 £0.329m March 10 £0.665m March 11 £0.000m
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 will be used to offset redevelopment costs funded from revenue.	March 08 £0.761m March 09 £0.000 m March 10 £0.294m March 11 £0.235m
Capital Feasibility Studies	To facilitate the delivery of the capital programme a reserve has been created which can be used to finance expenditure on the preparation of capital schemes.	This reserve can only be used to provide financial support for preparation work on capital schemes contained within the draft capital programme. Once the scheme has been approved then the costs charged to this reserve will be recharged against the approved capital scheme. Therefore assuming that all schemes on the draft capital programme are approved then this reserve will always eventually be reinstated to its original value.	March 10 £0.200m March 11 £0.200m March 12 £0.191m

Reserve	Purpose	Policy	Value
Icelandic Banks	A reserve created in 2009/10 to cover the potential loss of an element of the Council's deposits held in two Icelandic banks.	This reserve will be used to meet any losses of the Council's investments in two Icelandic banks which have been put into receivership/administration.	March 10 £2.575m March 11 £2.341m
Commutated Maintenance of Land	A new reserve identified during the transfer to International Financial Reporting Standards. Money is received and set aside for the ongoing maintenance of land transferred to the Council under Section 106 agreements. Previously the balance had been shown under Provisions in the Balance Sheet.	The reserve will be used to cover the cost of maintaining land transferred to the Council under Section 106 agreements.	March 10 £0.127m March 11 £0.142m
S106 and Travel Plan Monitoring	A new reserve identified during the transfer to International Financial Reporting Standards. Money is received and set aside to cover the costs of monitoring developers' compliance with Section 106 agreements, including any travel plan requirements. Previously the balance had been shown under Provisions in the Balance Sheet.	The reserve will be used to cover the cost of monitoring developers' compliance with Section 106 agreements, including any travel plan requirements.	March 10 £0.060m March 11 £0.071m
Social Care Winter Pressures	A reserve created in 2010/11 using income received from Berkshire East PCT to ease the pressures experienced by Adult Social Care budgets in winter. It is part of the s256 agreement with the PCT that any unspent monies are carried forward into the next financial year.	The reserve will be used to fund budget pressures in Adult Social Care and Health in 2011/12.	March 11 £0.212m
Education Initiatives	A reserve created in 2010/11 from under spends within Children, Young People and Learning to meet the cost of a number of new initiatives within the Department.	The reserve will be used to fund a number of one-off projects within Children, Young People and Learning during 2011/12.	March 11 £0.150m

Reserve	Purpose	Policy	Value
Financial Systems Upgrade	A reserve created in 2010/11 to meet additional revenue costs arising from the upgrade of Agresso to version 5.5.	The reserve will be used to meet consultancy and backfill costs arising from the upgrade.	March 11 £0.100m

Unusable Revenue Reserves

Certain reserves are kept to manage the accounting processes and do not represent usable resources for the Council.

Balance	Purpose	Policy	Value
Collection Fund Adjustment Account	A new reserve required to reflect Collection Fund changes included in the SORP 2009. The balance represents the difference between the Council Tax income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.	This balance is held for specific accounting reasons.	March 10 £0.100m March 11 £0.249m
Financial Instrument Adjustment Account	This was 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 has now been cleared to the General Fund and the impact of the impairment met by a transfer from the Icelandic Banks Reserve	March 08 £0.000m March 09 -£0.608m March 10 -£0.378m March 11 £0.000m
Accumulated Absences Account	A new reserve required on the transfer to International Financial Reporting Standards. It absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave and flexi-time entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.	This balance is held for specific accounting reasons.	March 10 -£4.592m March 11 -£4.535m