

APPENDIX C

Earmarked Reserves : Category 1 - Funding for planned expenditure on projects / programmes over the period of the current MTFS

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2020 £'000	2020/21 Contributions / (Use) £'000	Forecast Balance at 31/3/2021 £'000	Planned Use of Reserves				Balance Allocated to Manage Ongoing Risk £'000
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	
<u>Earmarked Capital Reserves</u>								
Capital Investment Programme This reserve will be used to partly fund the Authority's approved Asset Management Plan which is designed to address operational requirements covering water tenders (fire appliances) and other operational equipment. This expenditure will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area. Phasing of the use of this reserves may change to reflect the actual timing of capital projects. The net contribution in 2020/21 consists of £0.5m earmarked to support the 2024/25 Asset Management Plan (AMP) and the provision for Personal Protective Equipment (i.e. Fire fighters kit), less £0.203m to be used in 2020/21 to support the approved AMP.	852	297	1,149	(603)	(46)	0	(500)	0
Total Earmarked Capital Reserves	852	297	1,149	(603)	(46)		(500)	0
Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2020	2020/21 Contributions / (Use)	Forecast Balance at 31/3/2021	Planned Use of Reserves				Balance Allocated to Manage Ongoing Risk
				2021/22	2022/23	2023/24	2024/25	

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget Support Fund	4,533	671	5,204	(398)	(587)	(785)	(785)	2,649
<p>The 2020/21 contribution of £671,000 consists of two components. Firstly, a contribution of £171,000 approved as part of the 2020/21 budget and funded from an increase in 2020/21 resources. Secondly, a contribution from achieving a 2020/21 managed revenue budget underspend of £500,000.</p> <p>As detailed in the MTFS report £0.346m of this reserve will be used to support the 2021/22 budget to provide a longer lead time to implement budget cuts in future years. The balance of this reserve is earmarked to manage financial risks in 2022/23 and future years arising from a range of potential changes to future funding and the cost of providing services.</p> <p>If this reserve is used to defer further forecast budget cuts from 2022/23 and 2023/24 until 2025/26 this would commitment £2.157m (based on the current MTFS forecasts) and defer a deficit of £0.785m to 2025/26. These figures highlight the significant financial risks and uncertainties facing the Authority and how quickly this one off resource could be committed to temporarily support services whilst a plan to deliver permanent savings was developed and the implemented. Use of this reserve could increase and occur earlier if Revenue Support Grant is reduced from 2022/23, or the mainstreaming of the Pension Grant in 2022/23 results in a lower allocation than the specific 2021/22 grant, or to meet increased costs arising from remedies to address the McCloud Judgement.</p> <p>The MTFS report advises Members that using this one off funding would not provide a permanent solution to address recurring funding cuts, or recurring additional cost increases. However, the reserve would provide a slightly longer lead time to implement permanent budget cuts.</p> <p>If the Government provides a multi-year funding settlement for 2022/23 to 2024/25 this will enable the Authority to develop a detailed plan for using this reserve. Depending on the level of Government recurring funding this plan may enable some of this reserves to be released to either fund part of the Asset Management Plan, which will reduce borrowing and therefore provide recurring budget savings, or to reduce current debt, which would also provide recurring savings, or for invest to save initiatives.</p>								

Budget Support Fund 2019/20 to 2022/23	4,533	671	5,204	(398)	(587)	(785)	(785)	2,649
<u>Earmarked Revenue Reserves</u>								
Collection Fund Deficit Reserve								
This reserve was established at the end of 2019/20 to manage the economic impact of Covid-19 on Council Tax and Business Rates income. These incomes will be lower than forecast when the 2020/21 budget was set and this will feed through as Collection Fund deficit in 2021/22. This reserve will avoid these deficits impacting on services.	400	0	400	(4)	(198)	(198)		0
Innovation Fund	454	0	454	(113)	(113)	(114)	(114)	0
Is earmarked primarily to fund the installation of Fire alarms and this will have a positive impact on community safety.								
Commissioned Services	200	0	200	0	0	0	0	200
This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions. The availability of this reserves avoids temporary income reductions having to be funded from the Authority's revenue budget in the year they arise. This therefore protects funding available for front line services. The reserve also enables the Authority to protect staffing resources allocated to undertake these initiatives until alternative external funding can be secured. No use is shown as the timing of potential income shortfall is uncertain.								
Total Earmarked Revenue Reserves	1,054	0	1,054	(117)	(311)	(312)	(114)	200
Total Earmarked Capital and Revenue Reserves	6,439	968	7,407	(1,118)	(944)	(1,097)	(1,399)	2,849

Balance 31 March	6,289	5,345	4,248	2,849
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