

Earmarked reserves at 31 March 2011

| | Balance at 1 April 2010 | Movement in the year | Balance at 31 March 2011 |
|---|------------------------------------|---------------------------------|---|
| | £000 | £000 | £000 |
| Schools General Reserve (note 1) | 36,971 | 2,605 | 39,576 |
| Less temporary use for capital funding | -3,002 | - | -3,002 |
| | ----- 33,969 | 2,605 | 36,574 |
| Capital Reserves | | | |
| General capital reserve | - | 17,763 | 17,763 |
| Schools capital reserve | 469 | -166 | 303 |
| | ----- 469 | 17,597 | 18,066 |
| Trading Accounts | | | |
| 1. Former DSO's | 1,854 | 862 | 2,716 |
| 2. Supplies | 1,768 | 317 | 2,085 |
| 3. Printing | 802 | -110 | 692 |
| 4. IT Services | 1,442 | -1,070 | 372 |
| 5. Caretaking and cleaning | 236 | 71 | 307 |
| 6. Services to Schools | 4,169 | 15 | 4,184 |
| 7. Children's Centres | 1,276 | 115 | 1,391 |
| 8. Audiences South | 0 | 0 | 0 |
| 9. Hampshire Wardrobe | 34 | 1 | 35 |
| 10. River Hamble | 693 | 0 | 693 |
| | ----- 12,274 | 201 | 12,475 |
| Designated underspendings (note 2) | 14,483 | 5,113 | 19,596 |
| Other | | | |
| 1. Insurance | 12,642 | 4,083 | 16,725 |
| 2. Segensworth Units | 264 | 12 | 276 |
| 3. Historic publications | 39 | - | 39 |

| | Balance at 1 April 2010 | Movement in the year | Balance at 31 March 2011 |
|---|------------------------------------|---------------------------------|---|
| | £000 | £000 | £000 |
| 4. Invest to Save and modernisation (note 3) | 4,294 | -976 | 3,318 |
| 5. Equal Pay | 41,031 | 6,151 | 47,182 |
| 6. Grant equalisation | 22,415 | -3,735 | 18,680 |
| 7. PSA reward grant | 2,377 | -1,879 | 498 |
| 8. LABGI | 2,360 | -1,202 | 1,158 |
| 9. LATS income (note 4) | 5,985 | -2,100 | 3,885 |
| 10. Minerals and Waste development | 396 | 227 | 623 |
| 11. Community transport vehicles | 365 | 290 | 655 |
| 12. Corporate Policy (Note 5) | 650 | 1,758 | 2,408 |
| 13. Corporate Procurement | 500 | -100 | 400 |
| 14. Organisational change | - | 3,511 | 3,511 |
| 15. Corporate Efficiency | - | 10,340 | 10,340 |
| 16. Revenue grants unapplied | 1,158 | 5,420 | 6,578 |
| 17. Capital grants unapplied | 10,795 | -743 | 10,052 |
| 18. Street Lighting PFI | - | 1,289 | 1,289 |
| | <hr/> 166,466 | 47,862 | <hr/> 214,328 <hr/> |

Notes to summary of earmarked reserves at 31 March 2011

1. Schools general reserve

- 1.1. In aggregate schools incurred expenditure £2,605,000 higher than their delegated budgets increasing the reserve to £39,576,000 at the end of the year. The table below summarises the position over categories of school

| | Variation in | Balance at 31 March 2011 | |
|-----------|--------------|--------------------------|-------------|
| | the year | £000 | % of budget |
| Nursery | -59 | 442 | 56.3 |
| Primary | 816 | 17,697 | 5.5 |
| Secondary | 1,600 | 17,888 | 6.1 |
| Special | 248 | 3,549 | 11.4 |
| | <u>2,605</u> | <u>39,576</u> | <u>6.2</u> |

- 1.2. The average level of school reserves has risen as a proportion of schools' budgets from 5.9% to 6.2% during 2010/11. £3,002,000 of School reserves have been used temporarily to finance Education capital expenditure, through the School Balances Loan Scheme.

2. Designated under spendings

- 2.1. The table below summarises the movements in the reserve balance during 2010/11:

| | Movement in the year | | |
|-----------------------------------|----------------------|-------|---------|
| | Balance | | Balance |
| | 1/4/10 | | 31/3/11 |
| | £000 | £000 | £000 |
| Adult Services | 4,431 | 2,579 | 7,010 |
| Children's Services | 1 | - | 1 |
| Environment | 1,026 | -789 | 237 |
| Policy and Resources | 3,502 | 2,648 | 6,150 |
| Sickness/Maternity leave buy back | 1,174 | -28 | 1,146 |
| School meals buy back | -6 | 205 | 199 |

| | Movement in the year | | |
|---------------------------------|----------------------|--------------|--------------------|
| | Balance 1/4/10 | | Balance 31/3/11 |
| Second homes income | 845 | -40 | 805 |
| Change for children | 247 | 54 | 301 |
| Children's Trust | 14 | -2 | 12 |
| Part-time pensions | 76 | -25 | 51 |
| Commons management | 40 | - | 40 |
| Hampshire Now | 153 | 26 | 179 |
| Building Schools for the future | 1,450 | -1450 | - |
| Rowner regeneration scheme | 1,500 | - | 1,500 |
| 2012 Olympics | 30 | 10 | 40 |
| Waste management contract | - | 1,925 | 1,925 |
| | <u>14,483</u> | <u>5,113</u> | <u>19,596</u> |

3. Invest to Save and Modernisation

3.1. The table below summarises the movements in the reserve balance during 2010/11:

| | £000 |
|---|-------|
| Balance at 1 April 2010 | 4,294 |
| Budgeted contribution in 2010/11 | 1,900 |
| Financing of additional staff to support generation of capital receipts and business rate appeals | -278 |
| Contribution towards: | |
| Corporate Services review | -30 |
| Deeds recovery project | -51 |
| Revenue income optimisation | -150 |
| Repayments from: | |

| | |
|---|--------|
| Repayments from Foster Care, Continuing Health Care, Delayed discharge and library restructuring projects | 1,714 |
| Business rate savings repaid | 729 |
| Repayment in respect of capital receipts generation | 190 |
| Transfer to Organisational Change reserve | -5,000 |
| Balance at 31 March 2011 | 3,318 |

4. **LATS Income**

| | |
|--|-------|
| | £000 |
| Balance at 1 April 2010 | 5,985 |
| Sales completed in 2010/11 | |
| 26,000 allowances at an average price of £14.99 per allowance | 390 |
| Less 23% on behalf of Portsmouth and Southampton City Councils | -90 |
| Contribution to funding of Operation Restore | -2400 |
| Balance at 31 March 2011 | 3,885 |

5. **Corporate Policy Reserve**

| | |
|--|-------|
| | £000 |
| Balance at 1 April 2010 | 650 |
| Transfer from SAP savings | 2,450 |
| Savings on Home to School Transport pilot schemes in 2009/10 outturn | |

| | |
|---|--------------|
| Transfer from council tax second home contingency | 56 |
| Continuing allocations agreed in the 2010/11 budget | -1,005 |
| One off allocations agreed in the 2010/11 budget | -1,420 |
| Transfer of balance of funding earmarked for Home to School Transport pilot | 353 |
| Allocation in 2010/11 for Home to School Transport pilot | -217 |
| Carry forward of 2009/10 contingency allocations | 390 |
| Transfer from balances of 2009/10 underspending | 6,151 |
| Transfer to Organisational change reserve | -5,000 |
| Balance at 31 March 2011 | <u>2,408</u> |

Protocol for earmarked reserves

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|---------|---|--|--|---|
| Schools | Earmarking of the balance of unspent delegated budgets. | <ol style="list-style-type: none"> 1. To supplement school budget shares, to finance capital contributions and to provide a contingency. 2. Up to 25% of total reserve made available on a loan basis to finance school capital projects of an 'invest to save' nature. Advances of £5.0m were made in 2004/05 and 2005/06 under this scheme mainly to fund rationalisation projects in advance of the realisation of capital receipts with repayments of £2m made over the period | <p>Responsibility of Head teacher and School governing body.</p> <p>Proposals subject to approval of the capital programme, involving executive member, Cabinet and County Council approval.</p> | <p>In addition to review by individual governing body, trends reviewed annually by Children's Services Executive Member.</p> <p>Use of loan scheme subject to appraisal of projects and to 25% upper limit.</p> |

| Reserve | Purpose | Use of reserve 2006/07 to 2008/09. | Management and control | Review Process |
|---------------------------|--|---|--|--|
| General capital | To assist in matching the timing of the availability of capital financing resources with the timing of capital payments. | To finance locally – resourced capital expenditure. | By County Treasurer in conjunction with decisions on the financing of the capital programme. | Reviewed at least twice yearly on closure of the accounts and in approving a new capital programme. A contribution of £17.6m is proposed in 2010/11 to provide greater flexibility in 2011/12. |
| Schools capital | To earmark contributions to capital schemes committed by schools but not yet required for capital financing purposes. | First set up in 2008/09 to receive contributions that are contractually committed, but where all or part of the capital expenditure has yet to be incurred. | Contributions agreed by schools and transferred to the reserve at the year end if not required for financing purposes. | Reviewed annually on closure of the accounts. A net withdrawal of £166,000 made in 2010/11. |
| Trading accounts | To enable business units to carry forward planned surpluses. | To meet future deficits and/or restructuring costs, to fund capital investment or to return surpluses to customers by reducing prices. | By responsible Chief Officer subject to Executive Member approval, where appropriate. | Through production of an annual business plan linked to the budget process. |
| Designated underspendings | To enable individual services to carry forward | To fund non-recurring expenditure in future years or to phase-in the requirement | Service Chief Officer and County Treasurer. | Reviewed annually during budget cycle |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|----------------------------------|--|--|---|---|
| | underspendings in accordance with the financial management policy | for additional funding or to achieve savings | | |
| Insurance | To cover fire, flood and storm damage reinstatement costs which are already committed and to reserve against adverse trends in liability claims. | To supplement annual 'premiums' charged to services. | Chief Executive and County Treasurer subject to Cabinet approval. | At least annually on closure of the accounts. An overall contribution of £4.1m to the reserve is proposed in 2010/11 to increase the robustness of the Council's self insurance arrangements. |
| Invest to save and modernisation | To provide funding for investment which will generate future cash savings which can be recycled back into the reserve. | For approved investment purposes subject to Cabinet or Policy and Resources Executive Member approval. | County Treasurer subject to Cabinet approval. | Reviewed annually in conjunction with proposals in the budget meeting invest to save criteria. Currently being used to support initiatives to secure additional capital receipts, business rate revaluations, corporate services review, improving highway land records . |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|--------------------|--|--|--|--|
| Equal Pay | To assist in meeting transitional salary protection and equal pay claim costs likely to arise from implementation of the Pay and Benefit Review. | To supplement employee budgets in transitional period following implementation and to finance non-recurring implementation costs. | County Treasurer subject to Cabinet approval. | Funding of £0.2m made available for equal pay team costs in 2010/11. Further contribution of £4.5m made to the reserve in 2010/11 from the contingency set aside for Free Personal Home Care |
| Grant equalisation | To assist in managing the impact of future grant loss initially from the 2003/04 Revenue Support grant formula review and subsequently from the 2006/07 and 2008/09 reviews. | To compensate for service and/or council tax impact of grant loss. | County Treasurer subject to Cabinet approval. | Use of the reserve to compensate for below average increases in grant over the period to 2015/16. A contribution of £3.7m made in 2010/11. |
| PSA reward grant | Established to earmark the reward grant earned from the for future use. | To be used in accordance with the policy agreed by the Cabinet in July 2005. Use extended in February 2010 to cover PSA 2 reward grant | Subject to relevant executive member approval. | Allocations of £1.9m made in 2010/11 in accordance with the policy, leaving a balance of £0.5m mainly earmarked for highway structural maintenance. |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|---|---|---|---|--|
| LATS income | Established on closure of the 2005/06 accounts to earmark income from the sale of LATs for future use. | To be used in accordance with the policy agreed by the Cabinet in June 2005 to reduce cost pressures from the existing Waste contract and for further investment in Waste infrastructure. | County Treasurer and Director of Environment, subject to the approval of the Cabinet. | At least annually in conjunction with the budget and capital programme process. Sales income of £0.3m received in 2010/11 transferred to the reserve. A corporate contribution of £2.4m made to Operation Restore. |
| Segensworth unit factories | To enable annual tenant contributions towards repairs to be earmarked for periodic major repair liabilities to infrastructure | To fund maintenance of specific infrastructure which is the responsibility of the County Council as freeholder | Director of Property, Business and Regulatory Services subject to terms of relevant agreement | Reserve is ring-fenced |
| Local Authority Business Growth Incentive (LABGI) | Reserve created in 2008/09 into which Government grant paid. | To contribute to programmes designed to promote economic prosperity, wellbeing and regeneration and other capital investment projects. | Leader subject to Cabinet approval. | No further sums will be earmarked to the reserve following the ending of the LABGI scheme. Allocations of £1.2m made in 2010/11 mainly in support of economic development objectives. |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|--------------------------------|---|--|--|--|
| Minerals and Waste Development | Made up from contributions from partners to the development framework. | To manage the uneven flow of costs across financial years associated with the approval of a framework. | Director of Environment | Reviewed at least annually. £0.2m was added to the reserve in 2010/11 |
| Community transport vehicles | Established to earmark funding for vehicle replacement. | Built up by annual contributions and used to replace vehicles. | Director of Environment | Reviewed twice yearly. A net contribution of £0.3m made to the reserve in 2010/11 |
| Corporate Policy | To redirect corporate efficiency and other savings to front line services, as the public spending outlook becomes more constrained | To support investment in front-line services | Leader, subject to Cabinet approval | Reviewed at least twice-yearly in approving the budget and final accounts. Continuing and non-recurring allocations of £2.4m were approved in the 2010/11 budget |
| Corporate Procurement | To redirect a surplus of £0.5m achieved by the County Supplies business unit towards the costs of providing support to the Corporate Procurement Efficiency | To meet part of the costs incurred over the period 2010/11 to 2013/14 in supporting the efficiency programme | Director of Property, Business and Regulatory Services | Reviewed at least twice-yearly in approving the budget and final accounts. An allocation of £0.1m made from the reserve in 2010/11. |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|--------------------------|--|---|---|---|
| Organisational change | programme A reserve of £10m established in 2010/11 from contributions from the Corporate Policy and Invest to Save and modernisation reserves to fund the additional cost of the voluntary redundancy scheme implemented to facilitate staffing reductions on a voluntary basis | To finance the additional cost of redundancy attributable to the voluntary scheme | County Treasurer in conjunction with the Director of HR and the service chief officer | As change programmes are agreed. Costs of £6.5m were financed from the reserve in 2010/11 |
| Corporate Efficiency | Established to earmark any corporate efficiency savings achieved in advance of their being required for budgetary purposes | To align the timing of corporate efficiency savings with the budget strategy | Leader, subject to Cabinet approval | Reviewed at least twice-yearly in approving the budget and final accounts. A contribution of £10.3m made to the reserve in 2010/11 from savings achieved in advance of 2011/12. |
| Revenue grants unapplied | Established to reflect change in accounting practice under IFRS, | To align the use of grants with the timing of related | County Treasurer to determine when the | Reviewed twice yearly in setting the budget and closing the |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|--------------------------|---|---|---|--|
| | requiring grants to be accounted for in advance of the matched spending being incurred, where there is no repayment condition | expenditure | conditions apply | accounts. Increase of £5.4m during 2010/11, mainly attributable to receipt of street lighting PFI grant |
| Capital grants unapplied | The equivalent to the revenue grants unapplied reserve in respect of capital grants | As per the revenue grants unapplied reserve | As per the revenue grants unapplied reserve | Reviewed twice yearly in approving the capital programme and closing the accounts. Unapplied grants at 31 March 2011 were £0.7m lower than at the end of the previous year |
| Street Lighting PFI | To manage the funding of the project over its life | To earmark operational savings in the early years of the contract that will be required to balance the funding in the later years of the contract | County Treasurer in conjunction with the Director of Economy, Transport and Environment | £1.3m transferred to the reserve in 2010/11 |

| Reserve | Purpose | Use of reserve | Management and control | Review Process |
|----------------------|---|---------------------------------------|------------------------|---|
| Other minor reserves | Sums set aside for specific future purposes | To fund spending on specified purpose | Various | Reviewed at least annually on closure of the accounts |