

## Summary of reserves and balances 2010/11 to 2011/12

	2010/11		2011/12		
	Estimated balance 1 April 2010	Proposed Variation in 2010/11	Estimated balance 1 April 2011	Proposed variation in 2011/12	Estimated balance 1 April 2012
	£'000	£'000	£'000	£'000	£'000
<b>Revenue account balance</b>	<b>36,929</b>	<b>-15,861</b>	<b>21,068</b>	<b>-3,073</b>	<b>17,995</b>
<b>Earmarked reserves:</b>					
Schools	33,969	-12.4	33,849	3002	36,847
Trading units	12,274	-838	11,336	-1564	9,772
Service underspendings	13,321	-10,445	2,876	-795	2,081
Insurance	12,642	-383	12,259	-339	11,920
Second homes income	845	-40	805	-640	165
Invest to save and modernisation	4,294	-1,232	3,062	1,951	5,013
General capital	469	120	589	27	616
Equal pay	41,031	6,064	47,095	-47,095	-
Grant equalisation	22,415	-3,735	18,680	-4,500	14,180
LABGI	2,360	-1,202	1,158	-668	490
Landfill Allowances trading	5,985	-2,146	3,839	148	3,987
Corporate Policy Reserve	650	1,732	2,382	3,943	6,325
Organisational change	-	6,700	6,700	-3,400	3,300
Corporate Efficiency	-	8,799	8,799	7,407	16,206
Street lighting PFI	-	6,339	6,339	4,949	11,288
Other reserves	4,258	-2,313	1,945	-520	1,425
<b>Total Earmarked reserves</b>	<b>154,513</b>	<b>7,196</b>	<b>161,709</b>	<b>-38,094</b>	<b>123,615</b>
<b>Total Earmarked reserves ( exc Schools)</b>	<b>120,544</b>	<b>7,320</b>	<b>127,864</b>	<b>-41,096</b>	<b>86,768</b>
<b>Total reserves and balances</b>	<b>191,442</b>	<b>-8,665</b>	<b>182,777</b>	<b>-41,167</b>	<b>141,610</b>

**Protocol for earmarked reserves**

<b>Reserve</b>	<b>Purpose</b>	<b>Use of reserve</b>	<b>Management and control</b>	<b>Review process</b>
Schools	Earmarking of the balance of unspent delegated budgets.	1. To supplement school's budget share, to finance capital contributions and to provide a contingency.	Responsibility of headteacher and school governing body.	In addition to review by individual governing body, trends reviewed annually by Children's Services executive member.
		2. Up to 25% of total reserve made available on a loan basis to finance school capital projects of an 'invest to save' nature. £3.0m has been advanced under this scheme, but expected to be fully repaid in 2011/12.	Proposals subject to approval of the capital programme, involving executive member, Cabinet and County Council approval.	Use of loan scheme subject to appraisal of projects and to 25% upper limit.
Trading units	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.	Through production of an annual business plan linked to the budget process.
Service underspendings	To enable services to carry forward 100% of planned underspendings and at least 50% of unplanned underspendings. From October 2010 the policy has been amended to enable 100% carry forward of underspendings to finance	To fund non-recurring expenditure in future years or to phase in the requirement for additional funding or to achieve savings.	By service Chief Officer reporting to the Executive member, in consultation with the County Treasurer.	Reviewed twice yearly in conjunction with decisions on the budget and final accounts.

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<b>Reserve</b>	<b>Purpose</b>	<b>Use of reserve</b>	<b>Management and control</b>	<b>Review process</b>
	expenditure associated with the change agenda.			
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 accounts.
Second homes income	Agreed to earmark additional council tax income from reducing the discount on second homes in 2004/05 for purposes agreed with the relevant district council.	To fund expenditure in future years on the agreed projects, mainly affordable housing.	By County Treasurer subject to Cabinet approval.	Reviewed at least twice yearly on closure of the accounts and in setting the budget. The 2011/12 budget includes a proposal to use £600,000 from the reserve to develop a scheme to support care leavers into employment. An annual contribution of £40,000 per annum to the Hampshire Alliance for Rural and Affordable Housing has been agreed up to 31 March 2014.
General capital	To assist in matching the timing of the availability of capital financing resources with the timing of capital payments. Since 2008/09 it also includes contributions made by schools to	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. The budgeted reserve balance in 2010/11 and 2011/12 includes

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	capital projects in advance of their being required for financing purposes.			£469,000 in respect of school contributions in advance.
Equal pay	To assist in meeting transitional costs and equal pay claim costs likely to arise from implementation of the Pay and Benefits review.	To supplement employee budgets in transitional period following implementation and to finance non-recurring implementation costs.	County Treasurer subject to Cabinet approval.	The 2011/12 budget anticipates that the current claims submitted to the employment tribunal will be resolved during 2011/12. Interest is being added to the reserve in recognition of the impact of the delay in the Employment Tribunal hearings on the potential compensation payable.
Grant equalisation	To assist in managing the impact of future grant loss arising from 2006/07 formula changes, and subsequent changes to the formula in 2008/09.	To compensate for service and/or council tax impact of grant loss	County Treasurer subject to Cabinet approval	Revised in each year's budget planning. With grant loss commencing in 2008/09, proposed to utilise the reserve to phase the impact on council tax of grant loss over eight years to 2015/16, reflecting the likelihood that the County Council will remain below the grant floor for a number of further years.
LABGI	Reserve created in 2009/10's budget.	To contribute to programmes designed to promote economic prosperity, wellbeing and	Leader subject to Cabinet approval.	LABGI has been discontinued from 2010/11. The balance of the reserve is to be used for

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		regeneration and other capital investment projects		economic development purposes in 2011/12 and 2012/13.
Landfill allowances	Income from the sale of landfill allowances is transferred to the reserve.	Cabinet have agreed the principle that 40% of the income should be utilised subject to the approval of business cases, to finance investment in waste facilities to enable landfill and recycling targets to be met. The remaining 60% will be used to offset the costs of the waste management contract, the increased cost of which has been financed corporately.	County Treasurer and Director of Environment, subject to approval of the Leader and Cabinet.	Reviewed as part of budget and final accounts process. A corporate contribution of £2.4m towards the cost of Operation Restore was approved in 2010/11.
Invest to save and modernisation	A new earmarked reserve established in the 2008/09 budget combining the two existing invest to save reserves, one of which originally established to fund improvements solely in Adult and Children's Services.	To fund improvements which will transform service provision and improve value for money from 2008/09 onwards.	Chief Executive and County Treasurer, subject to the approval of the Leader and Cabinet.	Use to be subject to the approval of specific business cases. The budgeted contribution of £1.8m plus the repayment of previous sums advanced from the reserve add £2.0m to the budgeted value of the reserve in 2011/12.
Organisation change	A reserve of £10m established in 2010/11 from contributions from the Invest to Save and Modernisation	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. The budget contains a proposal to reinstate the

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	and Corporate Policy reserves to fund the additional cost of the voluntary redundancy scheme agreed in September 2010 to facilitate staffing reductions on a voluntary basis.			estimated value of the reserve at £10m for 2011/12.
Corporate Efficiency	Established to earmark any efficiency savings achieved in advance of their being required for budgetary purposes.	To contribute to corporate efficiency savings targets.	Leader, subject to Cabinet approval.	Reviewed at least twice-yearly in approving the budget and final accounts. Contributions to the reserve are planned in 2010/11 and 2011/12 to reflect budgeted savings achieved in advance.
Corporate Policy Fund	To redirect corporate efficiency 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.
Segensworth unit factories (included with other reserves)	To enable annual tenant contributions towards repairs to be earmarked for periodic major repair liabilities to infrastructure.	To fund maintenance of specific significant infrastructure costs which are 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.
Street Lighting PFI	To match the timing of grant income and contract payments	To earmark grant received on a straightline basis against financing costs which increase after the initial investment period.	Director of Environment in consultation with the County Treasurer.	Revise twice yearly in approving the budget and final accounts. Due to the profile of the grant payments, the reserve is expected to build

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Other minor reserves	Sums set aside for specific future purposes.	To fund spending on specified purpose.	Various.	up to around £18m during the early part of the contract and then be written down to nil over the remainder of the contract.  Reviewed at least annually on closure of the accounts. Overall balance projected at £1,425,000 at 31 March 2012.