

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	<u>3,318</u>

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	<u>3,885</u>

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"> To supplement school budget shares, to finance capital contributions and to provide a contingency. 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
	programme			
Organisational change	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