

ANALYSIS OF RESERVES (EARMARKED RESERVES AND UNEARMARKED RESERVES)
 (Extract of the report to the Executive on 21st September 2023 - Review of Earmarked Reserves)

APPENDIX A

| EARMARKED RESERVES | Closing balance 31.03.2023 | Future Commitments | Funding needed to hold a prudent provision | Unallocated spend | Annual reserve contribution (bracketed figures are contributions into a Reserve and unbracketed figures are where funding is being taken out of the Reserve in the year) | Comments |
|--|----------------------------|--------------------|--|-------------------|--|---|
| | £000s | | | | | |
| Specific Reserves - General Fund | | | | | | |
| Earmarked Reserves which are essential for operational core service delivery (for example programmed renewal and replacement of plant and equipment) | | | | | | |
| Business Rates Retention (remainder of the Business Rates Retention Earmarked Reserve needed to manage business rates volatility each year) | (224) | 224 | 0 | 0 | 400 | This relates to a timing issue on the accounting adjustments required for the localisation of business rates. This reserve deals with any volatility in Business Rate income. In 2023/24 £400,000 is budgeted to be used of this reserve to smooth the volatility in business rates income. Although the reserve currently only has a remaining balance of £224K, there is expected to be further funding put into this reserve from the Collection Fund when the 2023/24 Accounts are closed. |
| Capital Programme | (191) | 191 | 0 | 0 | (182) | Each year £181,600 of funding is transferred from the revenue budget into the Capital Programme Reserve, to fund capital projects in the year. In 23/24 this is funding capital projects such as purchase of a new bioshredder, decarbonisations surveys and IT software. |
| Community Parks and Open Spaces | (58) | 10 | 48 | 0 | (17) | Funding is used mainly for annual maintenance of play parks and equipment and path resurfacing. An annual contribution of £16,900 is made into the reserve. |
| COVID-19 (Leisure) | (34) | 34 | 0 | 0 | | This reserve was set up in 2020/21 to protect against future COVID losses. In 2022/23 £174,632 was used to fund the shortfall in the leisure management fee income and the balance of £33,915 will be used in 2023/24 (Executive 3/3/22). |
| Dartmouth Ferry Repairs & Renewals - provision for ferry asset repairs and replacement | (606) | 0 | 606 | 0 | (147) | An annual contribution of £147,000 is made into this reserve. |
| District Elections - provision for elections funding | (29) | 29 | 0 | 0 | (40) | An annual contribution of £40,000 is made into this reserve. |
| Environmental Health Initiatives | (88) | 88 | 0 | 0 | | The additions to this reserve relate to savings on Environmental Health salaries in 2022/23 to fund a post for the next two years. A new reserve set up in 2020/21 to hold the Grounds Maintenance in year surpluses to be reinvested back into the service (Executive 18/6/20). Spend in 2022/23 related to equipment purchases. |
| Grounds Maintenance - earmarked for the grounds maintenance service | (86) | 86 | 0 | 0 | | This reserve has been created following underspends on Homelessness Prevention Costs. The future commitments of £82K relate to the funding of Housing staffing costs - Executive 26/5/22 |
| Homelessness Prevention | (143) | 82 | 0 | (61) | | Commitments of £48,000 for Housing Capital programme projects and £36,000 which is the remaining funding for setting up a Community Benefit Society. This £35,000 may not be needed going forwards and could be repurposed. |
| Affordable Housing (Capital) | (122) | 84 | 0 | (38) | | An annual contribution of £50K is made into this reserve. Commitments in 23/24 are for the new website and planning system. |
| ICT Development | (75) | 55 | 20 | 0 | (50) | This reserve is to fund the salary costs of the JLP team. An annual contribution of £25K is made into this reserve. |
| Joint Local Plan | (25) | 25 | 0 | 0 | | |
| Leisure Services | (39) | 39 | 0 | 0 | | |
| Land and Development | (63) | 11 | 0 | (52) | (7) | An annual contribution of £7K is made into this reserve. |
| Maintenance Fund | (28) | 28 | 0 | 0 | | This is a new reserve set up in 2021/22 for the purpose of general maintenance. |
| Maintenance, Management and Risk Management Reserve (MMRM) - 10% of annual income from investment properties is set aside into this reserve | (95) | 0 | 95 | 0 | (29) | This reserve was set up in 2019/20 to manage the ongoing maintenance costs of the Council's Investment Property. The contributions to the reserve equate to 10% of the rental income on an annual basis. |
| Marine Infrastructure | (242) | 210 | 0 | (32) | | £200K has been committed for match funding for the Batson Fish Quay funding bid - Council May 2022. A further £10K is committed for a marine decarbonisation feasibility study. |
| New Homes Bonus funding (Revenue Base Budget funding) | (500) | 500 | 0 | 0 | 500 | An amount of £500,000 per annum of NHB funding is used to fund the revenue base budget. |
| New Homes Bonus | (976) | 976 | 0 | 0 | | Commitments for Capital Programme funding from allocations approved in previous years, such as affordable housing funding, car park resurfacing and other capital bids. |
| On-Street Parking | (44) | 15 | 0 | (29) | | There is a balance of £29K which is unallocated. |
| Organisational Development Strategy | (41) | 41 | 0 | 0 | | This reserve was created from external work carried out in other Councils e.g. HR work with Councils also embarking on a Transformation Programme. This funding is earmarked for the Council's Organisational Development Strategy. |
| Pay & Display Equipment Renewals | (175) | 175 | 0 | 0 | (21) | This reserve provides for the periodic replacement of Pay & Display machines. An annual contribution of £20,800 is made into this reserve. Future commitment of £25,000 for refurbishment of hybrid public conveniences. |
| Planning Policy & Major Developments | (499) | 250 | 249 | 0 | 48 | This reserve is for all planning matters and is also required to put funding aside to meet any future appeal costs. Commitments mainly relate to the Planning restructure. The cost of the first three years (£39K per annum) of this restructure is being met from additional planning income which was transferred to the Planning earmarked reserve (Executive 26/5/22). A contribution of £50,000 is made into the reserve annually. |
| Repairs & Maintenance | (331) | 0 | 331 | 0 | (105) | There is an annual contribution of £105,000 made into this reserve. |
| Section 106 Deposits | (15) | 15 | 0 | 0 | | This reserve comprises of deposits with no repayment conditions - created as a result of IFRS. |
| Section 106 Monitoring and technical support | (219) | 219 | 0 | 0 | | This reserve funds the costs of staff to oversee the administration of S106 deposits and how they are spent. |
| Tree Maintenance | (48) | 48 | 0 | 0 | | |
| Sub - Total | (4,996) | 3,435 | 1,349 | (212) | 325 | This reserve is to fund the staffing costs of the Tree maintenance service. |
| Earmarked Reserves which are being used to fund the Waste and Recycling service | | | | | | |
| Business Rate Retention Reserve (remainder of the £3million transitional funding for bringing the waste and recycling service back in house in October 2022) | (1,552) | 1,552 | 0 | 0 | | At Council on 14 July 2022, Members approved the use of £3million of this reserve, to fund the additional costs during the transitional phase of bringing the waste service back in house. In 2022/23 £1,448million has been used to fund the transitional waste costs and the remaining £1,552m will be used in 2023/24. |
| Sustainable Waste Management (Purchase of Vehicles £550K for the roll out of the Devon Aligned Service and one-off project implementation costs for DAS of £112K) | (662) | 662 | 0 | 0 | (25) | This reserve was created for one-off waste management costs. The balance is due to be spent on vehicle purchase for the Devon Aligned Service (DAS) of £550,000 and one off project implementation costs for DAS. An annual contribution of £25K is made into this reserve. |
| Vehicles & Plant Renewals (End of life waste fleet replacements and the fleet required for the roll out of the remaining properties onto the Devon Aligned Service (DAS) in October 2023 - Council April 2023) | (821) | 821 | 0 | 0 | (550) | Earmarked for the Vehicle Fleet Replacement Programme. An annual contribution of £550K is made to this reserve. |
| Sub - Total | (3,035) | 3,035 | 0 | 0 | (575) | |
| Earmarked Reserves which are being used to fund new corporate initiatives and corporate priorities | | | | | | |
| Community Composting | (187) | 187 | 0 | 0 | | Council 10/02/22 approved a one off amount of £200k to be transferred into a Community Composting Earmarked Reserve in 2021/22. An amount of £13K was used in 22/23 for site visits. |
| Emergency Climate Change Projects | (332) | 332 | 0 | 0 | | The set up of this reserve was approved by Executive on 6/2/2020 E74/19, funded originally by a £400K contribution from the New Homes Bonus Reserve. Spend for 2022/23 includes the Climate Change & Biodiversity Locality Fund and 'Better Lives for All' commitments in respect of Climate Change. Commitments for 23/24 include a payment of £40K to Sustainable South Hams, equipment to manage green spaces, a two year climate change officer post, the climate change locality fund and feasibility studies. |
| Business Rates Retention (match funding for Batson Fish Quay bid) | (200) | 200 | 0 | 0 | | £200K has been committed for match funding for the Batson Fish Quay funding bid - Council May 2022. |
| Members Sustainable Community Locality | (4) | 4 | 0 | 0 | | This reserve holds the unspent balances. |
| Recovery and Renewal Plan (funding 'Better Lives for All' commitments) | (185) | 185 | 0 | 0 | | This is a new reserve set up as part of the 2021/22 Budget to support the costs of the Recovery and Renewal Plan. Future spend relates to 'Better Lives for All' commitments such as £55K conservation area plans, £14K footfall monitoring equipment for economy, £20K development of a marketing strategy, £10K south hams cycle networks, £46K ecology resource for natural environment and £40K for climate change operational delivery of projects. |
| Sub - Total | (908) | 908 | 0 | 0 | 0 | |
| Earmarked Reserves which is Government Grant funding being used for the purposes of the grant determination letter | | | | | | |

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|--|-------------------------------|--------------------|--|-------------------|--|---|
| | £000s | | | | | |
| Revenue Grants (Government Grant funding) | (1,524) | 1,524 | 0 | 0 | 73 | This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes. It is anticipated that a proportion of these grants will be applied in 2023/24. For example an amount of £180,000 is committed to fund additional project management capacity in the waste and recycling service (Council 13.4.2023). Annually £73,000 is withdrawn from this reserve. |
| Interest from Reserves | 0 | 0 | 0 | 0 | (2) | |
| Housing Capital Projects - Government grant | (363) | 363 | 0 | 0 | | This is previous funding received from the Government. |
| Ukraine Humanitarian Crisis (Government Grant funding) | (875) | 875 | 0 | 0 | | This reserve was set up in 2022/23 to hold funding received to support the Ukraine Humanitarian Crisis which will be spent in 2023/24. An amount of £560,462 will be spent in 2023/24 on the purchase of seven properties through the Local Authority Housing Fund (LAHF). |
| Sub - Total | (2,762) | 2,762 | 0 | 0 | 71 | |
| Notional Earmarked Reserves which are held for a technical accounting purpose for the Collection Fund (this is not funding available to the Council to spend) | | | | | | |
| S.31 Compensation Grant (Business Rates Section 31 Grants for business rates relief) | (1,194) | 1,194 | 0 | 0 | | This is a new reserve set up to hold the business rates S31 grants received in 2020/21 and 2021/22 to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received will not be discharged against the Collection Fund deficit until the following year in 2023/24. This reserve is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue. |
| Sub - Total | (1,194) | 1,194 | 0 | 0 | 0 | |
| Earmarked Reserves which are held for Salcombe Harbour (Decisions on these reserves must be taken by the Salcombe Harbour Board) | | | | | | |
| Pontoons (Salcombe Harbour) | (363) | 363 | | | | This is a Salcombe Harbour Reserve. |
| Harbour Renewals (Salcombe Harbour) | (223) | 223 | | | | This is a Salcombe Harbour Reserve. |
| General Reserve (Salcombe Harbour) | (402) | | 402 | | | This is a Salcombe Harbour Reserve. |
| Sub - Total | (988) | 586 | 402 | 0 | 0 | |
| Uncommitted Earmarked Reserves and available for Members to decide how to allocate these funds for future priorities - Reserves of £1.541m below have been identified to be available to support the delivery of the emerging Council Plan, subsequently approved at Council on 28 September 2023 (Minute CM30) | | | | | | |
| | | | | This was | These | |
| Affordable Housing (Revenue) | (408) | | 0 | (408) | | This was a new reserve set up as part of the 2022/23 Budget process and was New Homes Bonus funding that was set aside for Affordable Housing. |
| Financial Stability | (280) | 0 | 0 | (280) | | This is a new reserve set up in 2021/22. Council 10/02/22 approved for £280k to be transferred from unearmarked reserves to a Financial Stability Earmarked Reserve, to be available for any future financial pressures from future local government funding reforms and any other budget pressures. It is currently uncommitted funding. |
| New Homes Bonus | (357) | 0 | 0 | (357) | | The remaining balance at 31.3.23 includes £235,016 unallocated from the 2020/21 New Homes Bonus and £122,274 from the 2021/22 New Homes Bonus with its future use to be decided when more details are known about the Spending Review and a replacement scheme for NHB. This New Homes Bonus funding is currently uncommitted. |
| Pension Fund Strain Payments | (208) | 0 | 0 | (208) | | This reserve is used to fund pension strain costs. There are currently no commitments against this reserve. |
| Recovery and Renewal Plan | (288) | 0 | 0 | (288) | | There is £288,000 of the recovery and renewal plan earmarked reserve which is currently uncommitted. |
| Sub - Total | (1,541) | 0 | 0 | (1,541) | 0 | |
| TOTAL EARMARKED RESERVES | (15,424) | 11,920 | 1,751 | (1,753) | (358) | |
| TOTAL UNEARMARKED RESERVES (General Fund Balance) | (2,113) | 0 | 2,113 | 0 | | This Unearmarked Reserve has a minimum balance of £1.5million and an operating level of £2 million (set by Members as part of the budget process). The 2022/23 surplus of £57,000 from the 2022/23 Accounts has been transferred to Unearmarked Reserves, in accordance with normal accounting practice. The £2.113m includes the surplus of £57,000 for the 2022/23 financial year outturn. |
| TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES) | (17,537) | 11,920 | 3,864 | (1,753) | (358) | |