

## FINANCIAL MONITORING TASK GROUP

**Date: 4 April 2019**

**Subject: Report on contingency funds and reserves**

Lead officer: Caroline Holland

Lead member: Mark Allison

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### **Recommendations:**

1. That the Financial Monitoring Task Group discuss and comment on the information on Merton's revenue contingency funds and reserves.
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### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report provides some background details on the Council's revenue contingency funds and reserves. It sets out reasons why they are needed, the purposes for which they are held and how the level of Merton's reserves compares with other Council's in London.

### **2 DETAILS**

- 2.1. At its meeting on 25 February 2019 the financial monitoring task group requested that a report be presented to this meeting on the Council's contingency funds and reserves. Whilst capital reserves are listed in Appendices 1 and 2, this report focuses on revenue reserves as these are the key reserves that support the Medium Term Financial Strategy.

#### **2.2 Legislative/Regularity Framework**

- 2.2.1 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 2.2.2 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
  - the balanced budget requirement: - England, sections 31A, 42A of the Local Government Finance Act 1992, as amended
  - the chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under Section 25 of the Local Government Act 2003) when the authority is considering its budget requirement
  - the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance

officer has responsibility for the administration of those affairs (under Section 151 of the Local Government Act 1972).

These requirements are reinforced by Section 114 of the Local Government Finance Act 1988 which requires a chief finance officer in England and Wales to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a Section 114 notice would have serious operational implications for a local authority.

- 2.2.3 It is the responsibility of the chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 2.2.4 CIPFA's Local Authority Accounting Panel (LAAP) issues bulletins to assist with the application of the requirements of the Code of Practice on Local Authority Accounting. Bulletins provide guidance that is intended to be best practice but are not prescriptive and do not have the formal status of the Code of Practice. LAAP Bulletin 99 provides such guidance on Local Authority Reserves and Balances and Merton follows this guidance in its approach towards and management of its reserves and balances.
- 2.2.5 The Council follows the best practice guidance and reflects this in its approach to financial management. This includes the guidance in the Council's Financial Regulations as part 4F of the Council's Constitution.
- 2.2.6 In the Budget report to Council on 6 March 2019, the Director of Corporate Services fulfilled the requirements of Section 25(2) of the Local Government Act 2003 and reported in her Positive Assurance Statement on
  - a) the robustness of the estimates made for the purposes of the calculations, and
  - b) the adequacy of the proposed financial reserves.

#### 2.2.7 **Risks**

The Positive Assurance Statement has regard to the financial risks that may impact on the Council's financial position. These include:

- a) The current economic position including future risks relating to Brexit
- b) Whether budget setting and monitoring processes are robust and
- c) effective
- d) Demand pressures on the budget
- e) Identifying and achieving cost and income improvements
- f) Risks to Government funding levels, particularly in light of the impending Spending Review 2019 and the Fair Funding Review currently both due to take effect in 2020/21
- g) Risks to other income streams including Business Rates Retention

## 2.3 **The Role of External Audit**

2.3.1 Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will confirm that there are no material uncertainties about going concern. Even where as part of their wider role auditors have to report on an authority's financial position, it is not their responsibility to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

## 2.4 **The Role of the Government**

2.4.1 Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.

## 2.5 **Types of Reserve**

2.5.1 Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- a contingency to cushion the impact of unexpected events or emergencies
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements;

2.5.2 LAAP Bulletin 99 recommends that for each earmarked reserve there should be a clear protocol setting out:

- the reason for / purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

A copy of the pro forma that officers provide to the external auditors to summarise this information for each earmarked reserve as part of the final accounts process is included in Appendix 4.

2.5.3 LAAP Bulletin 99 makes it clear that chief finance officers should take account of the strategic, operational and financial risks facing the authority in order to assess the adequacy of unallocated general reserves when setting the budget.

2.5.4 The Codes of Audit Practice in England, Wales, Scotland and Northern Ireland make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective

systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management.

2.5.5 In the Annual Budget Report to Council (Council 6 March 2019 for 2019/20) a risk based approach is set out to estimate an appropriate level of general fund balances. The report also includes a calculation based on the Audit Commission's report "Striking a Balance" which is referred to in the LAAP Bulletin.

2.5.6 For 2019/20 the analysis produces the following indicative range of balances

	Min	Medium	Max
	£m	£m	£m
Level of balances	12.53	20.12	27.81

2.5.7 As indicated in the LAAP Bulletin there are many risks that local authorities can be affected by and these are constantly changing. The Bulletin advises that "the many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority. The Audit Commission Report (December 2012) Striking a Balance makes a number of recommendations to both Chief Finance Officers and elected members to better assist councils in their decision making."

## 2.6 Merton's Reserves

2.6.1 Merton follows the good practice guidelines set out in LAAP Bulletin 99. A review of Merton's reserves was undertaken as part of the Business Planning process and reported to Council on 6 March 2019. The estimated level of earmarked reserves changes from £28.346m as at 31 March 2018 to £9.999m by 31 March 2023. The details of Merton's reserves as reported to Council on 6 March 2019 are included as Appendix 1.

2.6.2 Merton's reserves as at 31 March 2018 are set out in the Council's Statement of Accounts for 2017/18. These are set out in Appendix 2.

2.6.3 Merton's reserves are not excessive when compared to other London boroughs. As reported to Council on 6 March 2019, the average level of earmarked reserves (excluding schools and HRA) for outer London boroughs for 2017/18 was £65.711m, with a low of £11.395m and a high of £202.6m. Merton, with £33.575m (excluding schools) is ranked 15th highest out of 20 outer London boroughs. Merton's General Fund balances of £12.778m as at 31 March 2018 compare with an average level of General Fund balances for outer London boroughs for 2017/18 of £14.669m, with a low of £9.075m and a high of £40.323m. A summary of London Borough's reserves as at 31 March 2018 is provided at Appendix 3.

## **2.7 Corporate Contingency**

- 2.7.1 In addition to its reserves Merton also has a corporate contingency, currently at £1.5m, as part of its revenue budget. This is available as cover for any unforeseen expenditure and can offset overspends in service departments.

## **2.8 Recent Developments**

- 2.8.1 In February 2018 Northamptonshire County Council issued a Section 114 notice banning all new expenditure on non-statutory services. This announcement has led to the spotlight being put on the ongoing financial issues facing local authorities. An independent inspection report was published on 15 March 2018, giving evidence that the council had failed in its best value duty. The inspector found that failures at the council were not due to a lack of funding, but a result of poor management, a lack of budgetary control and a culture which discouraged challenge.
- 2.8.2 CIPFA state that “effective financial management in the public sector has always been built on planning for the longer term but the necessity now is to ensure organisations have the resilience to deliver annual savings and manage significant financial shocks while still pursuing ambitious goals for their local communities.”
- 2.8.3 In July 2018 the Public Accounts Committee requested the Government to work with local authorities and key stakeholder bodies to agree and publish a shared definition of local authority financial sustainability and a methodology for assessing the extent to which local authorities are at risk.
- 2.8.4 Subsequently, CIPFA are developing a financial resilience index. This will include data in respect to reserves and the level to which they support the finance resilience of local authorities.

## **3 ALTERNATIVE OPTIONS**

- 3.1. As set out in the report the requirement for financial reserves is acknowledged in statute.

## **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. Merton’s contingency and reserves are regularly reviewed and included in reports to Cabinet and Council and subject to the scrutiny process. This includes reports on the Statement of Accounts and the process of budget setting and formulating the Medium Term Financial Strategy.

## **5 TIMETABLE**

- 5.1. Regular reports on the Council’s contingency and reserves will be made in accordance with closing and business planning timetables.

## **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

6.1. As set out in the report.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

7.1. As set out in the report.

## **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

8.1. None arising from this report.

## **9 CRIME AND DISORDER IMPLICATIONS**

9.1. None arising from this report.

## **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1. None arising from this report.

## **11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

Appendix 1 - Summary of Reserves as reported to Council 6 March 2019

Appendix 2 - Details of reserves as at 31 March 2018 Statement of Accounts

Appendix 3 – Summary of London borough’s reserves as at 31 March 2018

Appendix 4 – Pro forma showing details of earmarked reserves provided for external audit purposes.

## **12 BACKGROUND PAPERS**

Budget papers reported to Council 6 March 2019

Statement of Accounts 2017/18

Working papers in Corporate Services department

## Reserves

Forecast Movement in Reserves 2018-23	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000
General Fund Reserve	12,778	0	12,778	0	12,778	0	12,778	0	12,778	0	12,778
Earmarked Reserves	28,346	(6,373)	21,973	(8,902)	13,070	(5,669)	7,401	59	7,461	147	7,608
Grants & Contributions	3,223	(2,569)	655	(491)	163	(19)	144	(19)	125	(19)	107
<b>Total Available Gen. Fund Rev. Reser</b>	<b>44,347</b>	<b>(8,942)</b>	<b>35,405</b>	<b>(9,394)</b>	<b>26,012</b>	<b>(5,688)</b>	<b>20,324</b>	<b>40</b>	<b>20,364</b>	<b>128</b>	<b>20,492</b>
<b>Fixed to Contracts</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>
<b>Total General Fund revenue reserves</b>	<b>46,301</b>	<b>(8,942)</b>	<b>37,360</b>	<b>(9,394)</b>	<b>27,966</b>	<b>(5,688)</b>	<b>22,278</b>	<b>40</b>	<b>22,319</b>	<b>128</b>	<b>22,447</b>
<b>Schools Balances &amp; Reserves</b>	<b>14,420</b>	<b>(5,153)</b>	<b>9,267</b>	<b>9</b>	<b>9,276</b>	<b>(360)</b>	<b>8,916</b>	<b>(516)</b>	<b>8,400</b>	<b>(453)</b>	<b>7,947</b>

## APPENDIX 1

Analysis	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000
<b>Earmarked Reserves</b>											
Outstanding Council Programme Board Reserve	4,545	(822)	3,723	(2,059)	1,664	(1,258)	406	(88)	318	0	318
For use in future years' budgets	11,131	(5,107)	6,024	(2,034)	3,990	(3,990)	0	0	0	0	0
Revenue Reserve for Capital/Revenuesation	3,498	28	3,526	(3,526)	(0)	0	(0)	0	(0)	0	(0)
Energy renewable reserve	1,523	0	1,523	(300)	1,223	(500)	723	0	723	0	723
Repairs and Renewals Fund	1,090	0	1,090	(450)	640	0	640	0	640	0	640
Pension Fund additional contribution	453	0	453	(125)	328	0	328	0	328	0	328
Local Land Charges	2,038	177	2,215	177	2,392	177	2,569	177	2,746	177	2,923
Apprenticeships	261	(152)	108	(40)	68	(68)	0	0	0	0	0
Community Care Reserve	1,385	0	1,385	0	1,385	0	1,385	0	1,385	0	1,385
Local Welfare Support Reserve	376	(30)	346	(30)	316	(30)	286	(30)	256	(30)	226
Economic Development Strategy	2	(2)	0	0	0	0	0	0	0	0	0
LEP - New Homes Bonus funded projects	122	0	122	0	122	0	122	0	122	0	122
Corporate Services Reserves	1,771	(465)	1,306	(365)	941	0	941	0	941	0	941
Wimbledon Tennis Court Renewal Fund	150	0	150	(150)	0	0	0	0	0	0	0
<b>Earmarked Reserves</b>	<b>28,346</b>	<b>(6,373)</b>	<b>21,973</b>	<b>(8,902)</b>	<b>13,070</b>	<b>(5,669)</b>	<b>7,401</b>	<b>59</b>	<b>7,461</b>	<b>147</b>	<b>7,608</b>
Culture and Environment contributions	14	148	162	(162)	0	0	0	0	0	0	0
Culture and Environment grant	517	(434)	83	(26)	57	(19)	38	(19)	19	(19)	0
Childrens & Education grant	426	(122)	304	(304)	0	0	0	0	0	0	0
Adult Social care grants	2,161	(2,161)	(0)	0	(0)	0	(0)	0	(0)	0	(0)
Housing GF grants	106	0	106	0	106	0	106	0	106	0	106
Public Health Grant Reserve	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
<b>Grants &amp; Contributions</b>	<b>3,223</b>	<b>(2,569)</b>	<b>655</b>	<b>(491)</b>	<b>163</b>	<b>(19)</b>	<b>144</b>	<b>(19)</b>	<b>125</b>	<b>(19)</b>	<b>107</b>
<b>Total</b>	<b>31,569</b>	<b>(8,942)</b>	<b>22,627</b>	<b>(9,394)</b>	<b>13,234</b>	<b>(5,688)</b>	<b>7,546</b>	<b>40</b>	<b>7,586</b>	<b>128</b>	<b>7,714</b>
Insurance Reserve	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
<b>Fixed to Contracts</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>

## APPENDIX 1

Analysis	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000
DSG Reserve	928	(5,428)	(4,500)	0	(4,500)	0	(4,500)	0	(4,500)	0	(4,500)
Governor Support Reserve	28	0	28	0	28	0	28	0	28	0	28
Schools Reserve	0	0	0	0	0	0	0	0	0	0	0
CSF reserve	25	0	25	0	25	0	25	0	25	0	25
Refund of PFI contributions	0	0	0	0	0	0	0	0	0	0	0
Schools PFI Fund	5,247	275	5,522	9	5,530	(360)	5,171	(516)	4,655	(453)	4,202
Earmarked Schools Balances	8,145	0	8,145	0	8,145	0	8,145	0	8,145	0	8,145
Schools Standards Fund balances	372	0	372	0	372	0	372	0	372	0	372
Schools Fund	(325)	0	(325)	0	(325)	0	(325)	0	(325)	0	(325)
<b>Schools Reserves</b>	<b>14,420</b>	<b>(5,153)</b>	<b>9,267</b>	<b>9</b>	<b>9,276</b>	<b>(360)</b>	<b>8,916</b>	<b>(516)</b>	<b>8,400</b>	<b>(453)</b>	<b>7,947</b>

## CAPITAL RESERVES

Forecast Movement in Reserves 2018-23	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000
Capital Grants	3,476	(3,476)	0	0	0	0	0	0	0	0	0
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
CIL Reserve	7,001	2,769	9,770	(5,753)	4,017	(3,477)	540	(540)	0	0	0
Capital Receipts	15,513	(9,457)	6,056	(6,056)	(0)	0	(0)	0	(0)	0	(0)
<b>Capital Reserves</b>	<b>25,991</b>	<b>(10,164)</b>	<b>15,826</b>	<b>(11,809)</b>	<b>4,017</b>	<b>(3,477)</b>	<b>540</b>	<b>(540)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## RESERVES

### 16. USABLE RESERVES

Usable Reserves	Balance at 31 March 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000
<b>General Fund:</b>							
Balances held by schools	(10,504)	2,258	0	(8,246)	426	0	(7,820)
General Fund Balances	(15,151)	2,373	0	(12,778)	0	0	(12,778)
Earmarked reserves	(41,690)	5,762	(5,177)	(41,105)	3,183	(2,200)	(40,122)
<b>Total General Fund</b>	<b>(67,345)</b>	<b>10,393</b>	<b>(5,177)</b>	<b>(62,129)</b>	<b>3,609</b>	<b>(2,200)</b>	<b>(60,720)</b>
<b>Capital:</b>							
Capital Receipts Reserves	(29,582)	12,993	(6,397)	(22,986)	12,001	(4,528)	(15,513)
Capital Grants Unapplied	(4,153)	830	(3,928)	(7,251)	185	(3,413)	(10,479)
<b>Total Capital</b>	<b>(33,735)</b>	<b>13,823</b>	<b>(10,325)</b>	<b>(30,237)</b>	<b>12,186</b>	<b>(7,941)</b>	<b>(25,992)</b>
<b>Total Usable Reserves</b>	<b>(101,080)</b>	<b>24,216</b>	<b>(15,502)</b>	<b>(92,366)</b>	<b>15,795</b>	<b>(10,141)</b>	<b>(86,712)</b>

**General Fund Balance** - This fund includes any surplus after meeting net expenditure on Council services.

**Earmarked Reserves** - Earmarked reserves are amounts set aside from the General Fund to provide financing for future expenditure plans. Also included in this note are amounts held by schools under delegated schemes and amounts set aside to meet future insurance claims. (see Note 11 for detail)

**Capital Receipts Reserve** - This represents receipts from the sale of land and other assets. The reserve can be used for the repayment of external loans, or transferred to the capital adjustment account to finance capital expenditure.

**Capital Grants Unapplied** - These are unapplied capital grants set aside for future capital expenditure. The balance includes unapplied Community Infrastructure Levy receipts.

## Transfers to/from Earmarked Reserves

Reserve	Balance at 31st March 2016	Net Transfer (to)/from Reserve	Balance at 31st March 2017	Net Transfer (to)/from Reserve	Balance at 31st March 2018
	£000	£000	£000	£000	£000
Outstanding Council Programme Board	(6,281)	1,362	(4,919)	374	(4,545)
For use in future years' budgets	(5,865)	(1,924)	(7,789)	(2,472)	(10,261)
Revenue Reserve for Capital/Revenuisation	(7,747)	932	(6,815)	3,317	(3,498)
Renewable energy reserve	(1,522)	0	(1,522)	1	(1,523)
Repairs and renewals fund	(1,224)	77	(1,147)	57	(1,090)
Pension fund additional contribution	(63)	(434)	(497)	44	(453)
Local land charges	(1,645)	(258)	(1,903)	(135)	(2,038)
Apprenticeships	(406)	104	(302)	42	(260)
Community care reserve	(1,386)	0	(1,386)	(1)	(1,385)
Local welfare support reserve	(533)	90	(443)	67	(376)
Economic development strategy	(619)	518	(101)	99	(2)
Corporate services reserves	(290)	(486)	(776)	(995)	(1,771)
Wimbledon tennis courts renewal	(102)	(25)	(127)	(23)	(150)
Governor support reserve	(18)	(24)	(42)	14	(28)
Redundancy costs reserve	0	(600)	(600)	600	0
BRS Reserve	0	(870)	(870)	0	(870)
New homes bonus scheme	(1,037)	746	(291)	169	(122)
Adult social care contributions	(350)	350	0	(2,160)	(2,160)
Culture & environment contributions	(134)	120	(14)	0	(14)
Culture & environment grants	(413)	163	(250)	(267)	(517)
Children & education grants	(371)	65	(306)	(119)	(425)
Supporting people balances	(65)	65	0	0	0
Housing planning development grants	(101)	101	0	0	0
Housing GF grants	(106)	0	(106)	0	(106)
Public health grant reserve	(22)	(325)	(347)	347	0
Insurance reserves	(1,955)	0	(1,955)	0	(1,955)
DSG reserve	(4,369)	705	(3,664)	2,736	(928)
Refund of school PFI contributions	(100)	0	(100)	100	0
School standard Fund	0	(6)	(6)	(366)	(372)
Schools PFI fund	(4,601)	(226)	(4,827)	(421)	(5,248)
CFS Reserves	(365)	365	0	(25)	(25)
<b>Grand Total</b>	<b>(41,690)</b>	<b>585</b>	<b>(41,105)</b>	<b>983</b>	<b>(40,122)</b>

### Purpose of Earmarked Reserves

Outstanding Council Programme Board: This reserve is held to fund the transformation of services for the Council.

For use in future years' budgets: These funds are used to balance any budgetary gaps, as identified in the medium term financial strategy, until agreed savings are achieved.

Revenue reserve for capital/revenue: The reserve provides revenue support towards funding capital expenditure and, where necessary, funds revenue expenditure which has been re-classified from the capital programme.

Renewable energy: To fund the cost of implementing renewable energy measures with lower carbon impact in Council buildings, as part of the Authority's strategy to reduce its environmental impact.

Repairs and renewals fund: To support day-to-day revenue expenditure, such as maintenance work, on fixed assets.

Transforming families reserve: The reserve is held to fund central government's troubled families' initiative.

Pension fund additional contribution: This reserve is used to fund the costs of any enhanced early retirement benefits, which must be borne by the general fund.

Local Land Charges: The reserve will be used to fund any liability arising from potential legal challenges in relation to local land charges.

Apprenticeships: The reserve is used to fund the Authority's apprenticeship scheme.

Community care reserve: Used to fund learning and disability transition expenditure, including TUPE and redundancy cost from the NHS, and other learning and disability related expenditure.

Local welfare support reserve: Reserve holds any underspend arising from the local welfare support scheme.

Economic development strategy: For projects that support economic development in the Borough.

Governor support reserve: Service provided jointly with LB Sutton. This reserve holds an underspend from prior years. Expenditure must be agreed jointly by the two Boroughs.

BRS reserve: This holds the difference between sums received in respect of Business Rates Supplement and sums paid to the GLA pending confirmation as to whether there is a liability for this balance.

Wimbledon tennis courts renewal: Funds held in accordance with the agreement for the upkeep of Merton's tennis courts.

Corporate services reserves: This reserve funds corporate projects, LPFA former GLC contributions and also provides a contingency to cover any

Housing Benefit Subsidy Grant that may be clawed back from the Council by the Department of Work and Pensions.

New homes bonus scheme: Top-slice funding received from the Greater London Authority. The funds must be used to deliver three specific projects that contribute to London - Brighter Business: Resilience through energy efficiency; Morden Master planning; and Morden Retail Gateway.

Adult social care grants: To ensure that government grant provided for Adult Social Care is utilised efficiently and effectively.

Culture & environment contributions: The grants and funds will mainly be spent on the weekly collection support scheme.

Culture & environment grants: To hold unspent funds from various grants, including: Trees for Cities, Air Quality, Heat Networks Delivery Unit and Sports Blast

Children & education grants: The reserve holds unspent receipts from the following grants: Social Work Improvement Fund Training, Troubled Families, Adoption Reform, and SEN Reform.

Housing planning development grants: Funds are used to support housing planning developments.

Housing GF grants: Used to fund rent deposits for homeless people.

Public health grant reserve: Carry forward of unspent public health grant. The funds will be spent on public health related services

Insurance reserves: The Authority, in line with most other local authorities, self- insures for claims up to a certain value. The insurance reserve is held for this purpose.

DSG reserve: The reserve holds prior year underspends on the Dedicated Schools Grant. It is used to fund projects determined by the Schools Forum.

Schools reserve: Resources to support inspections preparation, project support, capacity building for transformation and commissioning post funding.

Refund of schools' PFI contributions: To fund the reimbursement of previous overpayments, made by three schools to the Authority, towards the Private Finance Initiative Scheme (see Note 27).

Schools PFI fund: Programmed reserve to balance general fund contributions to the PFI scheme evenly over the contract term.

# APPENDIX 3

## LONDON BOROUGHS - SUMMARY OF RESERVES AS AT 31 MARCH 2018

	Inner/ Outer	Borough	General	Earmarked	Sub-total	Schools	HRA	Total	Capital
			Fund	Revenue		balances	Reserves	Revenue	Reserves
			balances	Reserves exc.		balances	Reserves	Reserves	Reserves
			exc. Schools,	Schools, HRA		31/3/18	31/3/18	31/3/18	31/03/18
			HRA			31/3/18	31/3/18	31/3/18	31/03/18
			£000	£000	£000	£000	£000	£000	£000
1	Inner	Camden	13,620	78,832	92,452	24,041	31,110	147,603	71,664
2	Inner	Greenwich	13,269	104,012	117,281	37,933	18,558	173,772	155,263
3	Inner	Hackney	15,007	114,401	129,408	11,057	30,426	170,891	155,263
4	Inner	Hammersmith & Fulham	19,004	94,994	113,998	11,329	51,610	176,937	73,011
5	Inner	Islington	8,723	65,421	74,144	9,319	79,930	163,393	121,642
6	Inner	Kensington & Chelsea	10,000	120,328	130,328	5,409	20,449	156,186	139,600
7	Inner	Lambeth	22,851	48,934	71,785	15,150	55,140	142,075	119,006
8	Inner	Lewisham	13,000	136,927	149,927	23,196	70,209	243,332	104,120
9	Inner	Southwark	18,803	70,652	89,455	9,857	30,880	130,192	79,849
10	Inner	Tower Hamlets	33,255	118,605	151,860	23,373	47,558	222,791	292,877
11	Inner	Wandsworth	14,506	147,003	161,509	14,218	132,765	308,492	347,883
12	Inner	Westminster	58,865	146,950	205,815	9,722	34,535	250,072	378,323
13	Outer	Barking & Dagenham	17,030	43,001	60,031	14,275	15,850	90,156	106,852
14	Outer	Barnet	15,083	75,755	90,838	12,489	15,003	118,330	127,089
15	Outer	Bexley	13,732	43,732	57,464	3,252	-	60,716	13,500
16	Outer	Brent	12,300	202,600	214,900	23,800	5,400	244,100	120,900
17	Outer	Bromley	20,000	123,778	143,778	2,219	-	145,997	58,831
18	Outer	Croydon	10,393	15,746	26,139	2,407	14,535	43,081	71,658
19	Outer	Ealing	15,473	67,905	83,378	14,788	9,926	108,092	42,272
20	Outer	Enfield	14,000	65,300	79,300	2,300	20,600	102,200	63,600
21	Outer	Haringey	15,493	60,508	76,001	7,707	38,192	121,900	67,967
22	Outer	Harrow	10,008	29,361	39,369	13,951	7,474	60,794	50,399
23	Outer	Havering	11,766	59,523	71,289	8,950	8,157	88,396	130,957
24	Outer	Hillingdon	40,323	34,139	74,462	5,433	37,108	117,003	51,242
25	Outer	Hounslow	10,200	105,300	115,500	12,600	37,000	165,100	88,000
26	Outer	Kingston	11,619	11,395	23,014	6,059	6,184	35,257	22,709
27	Outer	Merton	12,778	33,575	46,353	14,368	-	60,721	25,991
28	Outer	Newham	12,352	151,466	163,818	24,769	64,042	252,629	266,771
29	Outer	Redbridge	17,221	49,942	67,163	18,270	15,761	101,194	64,767
30	Outer	Richmond	9,956	26,613	36,569	7,369	-	43,938	15,750
31	Outer	Sutton	9,075	23,989	33,064	3,663	3,104	39,831	44,588
32	Outer	Waltham Forest	14,572	90,586	105,158	8,911	4,455	118,524	59,157
			534,277	2,561,273	3,095,550	402,184	905,961	4,403,695	3,531,501
Average (exc. City of London)			16,696	80,040	96,736	12,568	28,311	137,615	110,359
Merton Rank - All London			21/32	27/32	27/32	10/32	N/A	27/32	29/32
Merton Rank - Outer London			11/20	15/20	15/20	5/20	N/A	15/20	17/20
33	Inner	City of London Corporation	61,900	55,500	117,400	400	4,500	122,300	61,800
			596,177	2,616,773	3,212,950	402,584	910,461	4,525,995	3,593,301

MERTON: EARMARKED RESERVES  
 DEPARTMENT:

e5 code	Name of Reserve	Opening balance 1 April 20__ £	Additions/ withdrawals during year £	Closing balance 31/3/20__ £	Is reserve needed to finance recurrent expenditure	Reason/ Purpose for which the reserve is held	Brief explanation of movements in year	How and when the reserve will be released	Process and timescale for review of the reserve (annual, Qtly by who?)
Signed by Manager		Signed by S151 Officer							
Date		Date							

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