

**Supplementary Notes to the Reserves Position**

**Car Park Zones Reserve**

Closing balance £575k

The Budget panel received a report on 11 Jan 2012 in which a balance of £486k was forecast. The reasons for the difference are because a number of projects have been carried forward into 2012/2013 combined with the fact that the spend on pay and display machines was not as high as anticipated.

**Charter Place Tenants Reserve**

Closing balance £476k. This reserve was circa £892k at April 2010 so it has been significantly reduced. It is likely that this will need to be returned to tenants or transferred to CSC (to subsidise future service charges) in the near future. It is not Watford's money.

**Multi Storey Car Park Reserve**

Unchanged closing balance of £183k. Watford is responsible for structural repair to the MSCPs so this balance is totally insufficient to enable anything meaningful to be carried out. A stock condition survey is to be carried out in the near future and that will be an important background paper as part of a review into future management of our car parks.

**Housing Benefit Subsidy Reserve**

This reserve had originally been set up in case external audit find any issues with our Benefit Subsidy Grant Claims. Should they do so then the Department of Works and Pensions (DWP) operate a 'claw back' of subsidy payments. This claw back is based upon an 'extrapolation' process—so that if, for instance, 5 individual benefit claims were found to be incorrect (out of a sample of 20 claims) then a 25% overall error rate would be assumed. As Watford's subsidy claim is circa £38m, then the amount of withheld grant subsidy can be significant. This Reserve has increased by £629k in 2011/2012 as a consequence of External Audit discovering incorrect accounting treatment as part of its audit. As a consequence sundry debtors has been amended and this reserve has increased (it relates to a payment of subsidy from the DWP that was recorded in the wrong place).

**Performance Reward Grant Reserve**

Closing position of £120k (and has actually increased by £72k in the year due to an accountancy adjustment relating to 2010/2011). It is the intention to utilise a number of former earmarked reserves during the next two years.

**Invest to Save Reserve**

Closing position of £1,420k and reduced by £74k due to funding a Resilience Officer/ V4 Consultancy/ Licensing Review. Will continue to be used in 2012/2013 for projects with an anticipated future years pay back.

**Capital Fund Reserve**

Balance unchanged at £1,896k. Due to the likely future shortage of capital receipts, consideration should be given to increasing the balance by transferring the surplus on the Economic Impact Reserve of £287k.

### **LAGBI Reserve**

Closing balance of £641k and reduced by £56k during the year in order to fund Watford for You/ Imagine Watford/ Taxi survey.

### **Area Based Grant Reserve/ Housing and Planning Development Grant Reserve**

Both balances unchanged throughout 2011/2012 with a combined balance of £387k. Will be used to fund one off expenditure in 2012/2013 and future years. For example, the Council has signed up to a green deal initiative in 2012/2013 which required a £35k one off contribution. The Housing Planning Development Grant Reserve has been used.

### **Economic Impact Reserve**

Has increased by £287k to £1,537k and is the primary reserve for meeting any general over spends on the revenue account. It has effectively increased due to an under spend on revenue accounts in 2011/2012 (after earmarked reserves had been used) and it is recommended that this should be transferred to the Capital Fund reserve.

### **New Homes Bonus**

Closing balance of £542k and comprising £420k in respect of 2011/2012 and £122k being the first months payment for 2012/2013 (a 'pre-payment').

### **Leisure Structural Maintenance Reserve**

Unchanged at £423k although our assets are getting older and at some point consideration may need to be given to top this up.

### **Future Pensions Funding Reserve**

Balance at year end of £1,375k.

This needs to be preserved as it is likely to be drawn down in future years.

The original intention was to use £400k of this reserve in 2011/2012 to meet redundancy and pension strain costs. In the event, we have accommodated all these costs within revenue budgets.

### **Insurance Fund Reserve**

Unchanged at £100k. We still have a contingent liability in the Balance Sheet of £347k which is the outstanding potential insurance liabilities relating to the former MMI. The Creditors Committee does not believe there will be enough money left in the defunct company's accounts to meet all outstanding liabilities. So the £100k is just an insurance policy!

### **Vehicle Replacement Reserve**

Has now increased to £425k and is being built up so that we have available resources to replace our vehicle fleet should we need to do so. The proposed potential outsourcing of waste, recycling, street cleansing, parks and open spaces might result in vehicle replacements falling to an external contractor. An evaluation will need to be carried out in due course to establish the most financially efficient way of funding plant and vehicles.

**Decontamination Reserve**

Unchanged at £1.3m and earmarked to clean up any of our developments sites (also have a potential clean up liability attaching to 5/6 sites transferred to WCHT).

**General Fund Balance**

This is to be maintained for the foreseeable future at £1,350k and is our 'last resort' fund. External Audit would not permit this to be reduced.

**As at 31<sup>st</sup> March 2012.**