

REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	10th OCTOBER 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	REVIEW and PROPOSED USE OF EARMARKED RESERVES	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That amounts received under S106 agreements for Hilton are transferred to the General Reserve as detailed in the report.
- 1.2 That a sum is transferred from the Growth Reserve to the Public Buildings Maintenance Reserve.

2.0 Purpose of the Report

- 2.1 In accordance with the Council's Reserves Policy, the report provides an annual update on the level and use of earmarked reserves. Subsequently, the report proposes changes to two reserves for which their intended purpose has been superseded.

3.0 Detail

- 3.1 In addition to the General Fund, Housing Revenue and Capital Reserves, the Council maintains Earmarked Reserves that are held for specific purposes. They are provided to:
 - Pay for approved expenditure not included in base budgets.
 - Pay for one-off items of expenditure.
 - Spread expenditure over a number of financial years to smooth out fluctuations in the profile of actual expenditure.
 - Set-aside external finance (grants and contributions) received in advance of expenditure.

- Hold amounts in trust to meet a legal or contractual commitment at some future date.

3.2 Although this is considered to be a prudent way of safeguarding the Council's financial position, it is important to review earmarked reserves regularly. This ensures that resources are not under-utilised or held unnecessarily.

3.3 Once established by the Committee, Earmarked Reserves can only be used for that specific purpose.

Classifying Earmarked Reserves

3.4 Under the Council's Policy, Earmarked Reserves are classified into three distinct categories as detailed below:

- **Council funds**, i.e. those that are funded directly by the Council where the Council has total discretion over each reserve.
- **Specific grants and contributions**, i.e. those that are funded from external contributions and grant funding for specifically defined purposes, including those delivered in partnership with other agencies and organisations. In many circumstances, the Council has a certain degree of discretion over the use of this funding within the parameters of the particular service.

In the case of funding provided by the Government for additional costs under their New Burdens Doctrine, the Council can opt to use these reserves in other ways or return them to general reserves, if the actual costs can be absorbed within current resources.

- **Section 106 funds**, i.e. those funds secured under Section 106 Planning Agreements. Besides funding for the provision and maintenance of open space, the Council holds the funds as the Planning Authority, pending it being drawn down by other agencies in accordance with planning agreements.

3.5 **Appendix 1** itemises each of the approved reserves and shows how they are funded, managed and controlled. This excludes the detail of Section 106 Funds, which are subject to separate monitoring and review. All of the Reserves listed in the Appendix have previously been approved by the Committee.

3.6 The amount in each Reserve reflects the balance at 31st March 2019 and matters for further consideration are detailed in the following sections.

S106 Funding

3.7 A review of the Planning service was approved in 2018 and a new specific role to manage S106 sums was created. Although S106 has always been monitored very closely due to contractual agreements, a full review of the sums has now been undertaken.

- 3.8 Four separate sums paid by developers for capital works in Hilton between 1990 and 2007 totalling £55,009 have been investigated in detail.
- 3.9 Further to the investigation into expenditure, works to Hilton Village Hall, Back Lane Pavilion, maintenance of the Memorial Garden and footpaths at Peacroft Lane prior to 2012 have been identified. All of the aforementioned works were funded through the General Fund.
- 3.10 It is proposed that the following Planning references are written back to the General Fund to reimburse for works that should have been funded through S106 contributions:
- 1990/0917 Former MOD Depot £9,455
 - 2004/0553 Land at Hilton Brook £5,585
 - 2006/1015 Land South of Eggington Road £38,885
 - 2007/1175 Land at Hilton Mill £1,084

Growth Reserve

- 3.11 This reserve is made up of funds set-aside over a number of years for the financial impact of growth of the District on service delivery.
- 3.12 In the current MTFP reported earlier on this Committee agenda, £3.4m is proposed to be set-aside over a six year period for the potential impact of growth.
- 3.13 A project is currently underway to determine the potential future cost of growth and this will be reported later in the year.
- 3.14 The current balance on the Growth reserve is £985k. Approval was granted in March 2018 to transfer £30k per annum from the Growth provision to fund replacement of vehicles with a one-off sum of £194k in 2019/20 for the same purpose.
- 3.15 With this considered, the balance on the reserve will reduce to £641k by the end of the planning period 2024/25. It is proposed that £250k is transferred from this reserve to the Public Buildings Maintenance reserve for specific works on Public Buildings subject to stock condition surveys.
- 3.16 Approval of this proposal will leave a balance for one-off costs of £391k by 2024/25 assuming that the provision for growth included within the MTFP each year is utilised in full.

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

- 5.1 A key aim in the Council's Corporate Plan is to maintain "financial health". Maintaining Earmarked Reserves helps to contribute to a sustainable financial position by prudently setting aside resources to meet future commitments for specific purposes.

6.0 Community Implications

- 6.1 Earmarked Reserves are a way of ensuring that sufficient resources are maintained to deliver current and future service levels to the residents of the District.

7.0 Background Papers

- 7.1 None.

APPENDIX 1: ANALYSIS OF EARMARKED RESERVES 2019/20

SPECIFIC / EARMARKED RESERVE HELD BY THE COUNCIL	Balance b/fwd April 2019 £	Proposed Adjustment £	Remaining Balance £	Purpose	Delegated Responsibility
Homelessness Prevention	248,735	0	248,735	To fund initiatives and projects to prevent homelessness in accordance with the Homelessness Reduction Act 2018	Head of Housing
Schools Sport Partnership Project	228,469	0	228,469	To fund staffing and project costs	Head of Culture and Community Services
Rosliston Forestry Centre - Capital Works	149,620	0	149,620	To fund capital investment at the Centre	Head of Culture and Community Services
Rosliston Forestry Centre - Café Reserve	23,080	0	23,080	To fund repairs and maintenance specific to the Café under the lease agreement	Head of Culture and Community Services
IT and Digital Reserve	461,842	0	461,842	To finance capital developments and upgrades to the Council's ICT platform and infrastructure	Head of Business Change and ICT
Planning and Land Charges System Developments	108,904	0	108,904	To finance the replacement of the Planning and Land Charges System	Head of Planning and Strategic Housing
Vehicle, Plant and Replacement Fund (incl HRA)	134,289	0	134,289	To finance the capital purchase of new vehicles and plant	Head of Operational Services
Environmental Education	9,709	0	9,709	To fund staffing and project costs	Head of Culture and Community Services
Dilapidation Works - Factory Site as per Lease Agreement	10,869	0	10,869	To meet obligations under a lease agreement at Hearthcote Road	Head of Corporate Property
Heritage Lottery Grants	18,000	0	18,000	To fund contributions to renovate shops and business premises under the Townscape project	Head of Planning and Strategic Housing

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New Town Centre Project Fund	38,521	0	38,521	To fund works in Swadlincote Town Centre	Head of Economic Development and Growth
Electoral Registration	4,058	0	4,058	To support improvements to implement Individual Electoral Registration	Head of Legal and Democratic Services
Planning - Staffing and Support Costs	123,775	0	123,775	To fund staffing and support costs to meet peaks in the volume of planning applications	Head of Planning and Strategic Housing
Planning - 20% Fee Increase	33,048	0	33,048	To reinvest into Planning Services as expected by the Government	Head of Planning and Strategic Housing
Software upgrades to GIS/LLPG	9,000	0	9,000	To finance developments to GIS and LLPG software	Head of Business Change and ICT
Pensions Reserve	138,769	0	138,769	To finance increases in the Council's contribution to the Derbyshire Pension Fund	Strategic Director (Corporate Resources)
Corporate Training	53,035	0	53,035	To fund the Leadership and Management Development programme	Head of Organisational Development and Performance
Welfare Reform, Fraud & Compliance	249,447	0	249,447	To fund system improvements and to streamline processes to prevent and detect fraud and support changes arising from Welfare Reform	Strategic Director (Corporate Resources)

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SPECIFIC / EARMARKED RESERVE HELD BY THE COUNCIL	Balance b/fwd April 2019 £	Proposed Adjustment £	Remaining Balance £	Purpose	Delegated Responsibility
District Growth	985,000	-250,000	735,000	To fund one-off future demand on services arising from District growth	Finance and Management
Garden Village Fund	163,570	0	163,570	To finance work to secure infrastructure improvements	Strategic Director (Service Delivery)
EU Exit Funding	17,484	0	17,484	Grant to help fund costs associated with the EU exit	Strategic Director (Corporate Resources)
Economic Regeneration Fund	1,000,000	0	1,000,000	To contribute towards an Economic Regeneration programme in Swadlincote	Head of Economic Development and Growth / Chief Executive
Building Control Transition	20,000	0	20,000	To fund costs associated with the transfer of the Building Control service	Head of Planning and Strategic Housing
Public Buildings Maintenance	130,059	250,000	380,059	To fund additional maintenance identified across all Public Buildings	Head of Corporate Property
Asset Replacement and Renewal Fund	130,000	0	130,000	To fund one-off capital costs of Council owned land and buildings	Head of Corporate Property
Parks Improvement Fund	16,071	0	16,071	To fund clearing and improvement of parks in the District	Head of Culture and Community Services
Finance Staffing and Resource Costs	30,000	0	30,000	To fund costs associated with the transfer of the Payroll service and employee training	Head of Finance

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SPECIFIC / EARMARKED RESERVE HELD BY THE COUNCIL	Balance b/fwd April 2019 £	Proposed Adjustment £	Remaining Balance £	Purpose	Delegated Responsibility
District Conservation Works	10,000	0	10,000	To fund conservation works across the District	Head of Planning and Strategic Housing
HRA Software Upgrade	120,955	0	120,955	To fund software development and mobile working	Head of Housing / Head of Business Change and ICT
Swadlincote Woodlands	50,774	0	50,774	To fund on-going costs associated with maintaining the site	Head of Culture and Community Services
South Derbyshire Partnership Reserve	4,237	0	4,237	To fund staffing and project costs	Head of Culture and Community Services
Community Safety and Crime Reduction	351,691	0	351,691	To fund staffing and project costs	Head of Culture and Community Services
Young People's Cultural Partnership / Arts Development	7,306	0	7,306	To fund staffing and project costs	Head of Culture and Community Services
Public Open Space - Commuted Sums	1,140,441	0	1,140,441	To fund on-going costs associated with maintaining adopted open space and parks	Housing and Community Services / Environmental and Development Services
Youth Engagement Partnership	603,638	0	603,638	To fund staffing and project costs	Head of Culture and Community Services
Get Active in the Forest Partnership	60,528	0	60,528	To fund staffing and project costs	Head of Culture and Community Services
Maurice Lea Park NHLF Grant	23,012	0	23,012	To fund improvements at the park	Head of Culture and Community Services
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	53,012	Tetron Point Development	Ring-fenced S106 Planning agreement
Total	6,960,947	0	6,960,947		
Section 106 - Earmarked Funds	8,118,871	-55,009	8,063,862		
TOTAL EARMARKED/SPECIFIC RESERVES	15,079,818	-55,009	15,024,809		