

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 13
DATE OF MEETING:	24 NOVEMBER 2022	CATEGORY:
		DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	A REVIEW OF SPECIFIC AND EARMARKED RESERVES	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Council's Specific and Earmarked Reserves are considered and that recommendations regarding the potential reallocation and future utilisation regarding certain reserves as highlighted in **Appendix 1**, are approved.
- 1.2 That the level of Reserves is kept under review pending the 2023/24 Budget Round and the impact on the Council's Medium-Term Financial Plan.

2.0 Purpose of the Report

- 2.1 To provide an overview of the various specific and earmarked reserves currently held by the Council.

3.0 Background

- 3.1 In addition to General Reserves, which are held as a contingency under statutory regulations for the General Fund and Housing Revenue Accounts, the Council currently has approximately £14 million in other usable reserves. The overall total is made up of numerous individual reserves which are held for specific purposes.
- 3.2 All individual reserves have been approved by the Committee as part of the Council's financial planning process and have been earmarked for specific purposes. Several of the reserves have evolved from Government and external funding for investment and to fund government initiatives which span across more than one financial year. These reserves generally have to be used for that specific purpose.
- 3.3 However, many of the reserves are at the discretion of the Council. Reserves are set-aside as a prudent measure to fund for example, on-going replacement of vehicles, property maintenance and IT upgrades, where expenditure can vary year-to-year.

- 3.4 These reserves are funded by revenue contributions each year which smooth out the cost and are used to meet planned replacements and one-off investment in future years.
- 3.5 Other reserves are set-aside to meet pressures in specific areas such as Planning and Waste Collection due to the growth of the District and are funded from revenue contributions, underspends and additional income.
- 3.6 Although these reserves are at the discretion of this Committee, it is considered good practice to set-aside these funds to finance pressures in those service areas without impacting further on the Base Budget.
- 3.7 The level of all Reserves is reported within the Annual Budget and Final Account reports. This includes contributions to and drawdowns from, each reserve.
- 3.8 This report provides a descriptive overview of each reserve and in doing so, groups the reserves into several categories to provide greater clarity on their purpose.

4.0 Detail

- 4.1 The reserves have been grouped into categories as detailed below. This also explains the policy or reason for establishing these reserves.

External Sponsored Funding

- 4.2 Sums originating from public agencies and partner organisations to deliver investment in specific services. They mainly support the Council's Cultural and Community Services, together with partnership working in the health and well-being sector.
- 4.3 Without this funding, services would be significantly reduced without General Fund support to replace it.

Government Funding (Grants)

- 4.4 Although there is no statutory basis to spend the grants in specific areas, there is an expectation that they are used to support pressures in a service for which the funding was intended, for example Homelessness Prevention.
- 4.5 Other grants are provided as "New Burdens" funding and within reason, can be used at the discretion of the Council. In some instances, where the Government monitor spending through regular returns, any unspent funds are likely to be clawed back.

Council Funding: Long-term Replacement

- 4.6 These reserves are used over a longer-term to ensure there is sufficient funding to replace vehicles, IT, planned maintenance and other capital investment in infrastructure. Many of these reserves receive annual contributions and are used year-to-year in accordance with replacement programmes and as the need arises.

Council Funding: Service Development

- 4.7 Very similar to the above, but these reserves target services to ensure that revenue resources are set-aside to meet demand arising from the growth of the District and population changes. Other reserves, for example Planning, have been accumulated from additional income and are intended to be reinvested back into this Service.

Council Funding: Short-term/one-off

- 4.8 These reserves mainly relate to under spendings carried forward into the following financial year. They are used to supplement that year's budget or to provide an opportunity to address smaller one-off replacements and upgrades without any further impact on the Base Budget.

Commuted Sums

- 4.9 Sums received following residential development to maintain public open spaces.

Council Funding: Provisions

- 4.10 These are sums set-aside to meet future initiatives or to guard against a risk, for example the risk sharing arrangement in the Waste Recycling Contract. There may be no firm commitments against the sums set-aside.

Individual Reserves

- 4.11 All of the individual reserves are detailed in **Appendix 1** which sets out the purpose and current status of each reserve. The Appendix highlights sums which are no longer required or that could be reduced and consequently reallocated into other services or to fund spending pressures elsewhere, over the short and medium-term.
- 4.12 The Appendix also shows balances still set-aside which have been used to fund additional costs associated with Covid-19. In general, the remaining sums have no further commitments against them and may be available for reallocation, subject to any future directions from the Government.
- 4.13 As regularly reported to the Committee, the Medium-Term Financial Plan (MTFP) projects budget deficits in future years. In addition, there are current pressures on pay, fuel and utility costs, together with the uncertainty regarding the Council's funding from 2023/24.
- 4.14 Therefore, it is recommended that the Reserves are kept under review pending the forthcoming Budget Round for 2023/24.

5.0 Financial Implications

- 5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

- 6.1 None directly

Legal Implications

6.2 None directly

Corporate Plan Implications

6.3 A majority of these reserves provide additional resources to meet priorities and in particular those associated with supporting communities and enhancing the environment.

Risk Impact

6.4 Many of these reserves provide additional resources to meet future cost pressures to avoid a sudden impact on the Base Budget. In several cases, they could also be reprioritised to help safeguard resources in the MTFP.

7.0 Community Impact

Consultation

7.1 None

Equality and Diversity Impact

7.2 None directly

Social Value Impact

7.3 None directly

Environmental Sustainability

7.4 None directly

8.0 Background Papers

8.1 None

ANALYSIS OF SPECIFIC and EARMARKED RESERVES (AMOUNTS as at 1 APRIL 2022)

EXTERNAL SPONSORED FUNDING

£

Youth Engagement Partnership	622,779	This is an operational reserve. Currently, it is considered sufficient to meet current projects and on-going work, over the MTFP and is used to supplement mainstreamed costs in the Base Budget. The Reserve has remained consistently above £450,000 since 2012/13 and yearly drawdowns (net of contributions) are minimal. Some additional initiatives are being drawn up to utilise a greater amount of this Reserve and the proposals are being reported to Housing and Community Services Committee.
Community Safety & Crime Reduction	400,464	As above
Schools Sport Partnership Project	388,703	As above
Get Active in the Forest Partnership	128,389	As above
Environmental Education (Rosliston Forestry Centre)	17,139	As above, although this Reserve is under far greater pressure from year to year and is reliant on income being generated to fund activities. There is little margin.
South Derbyshire Partnership Reserve	10,117	This is used to fund grants for community initiatives as agreed by the South Derbyshire Partnership Board.
Young Peoples Cultural Partnership/Art Development	7,306	As Environmental Education (above)

GOVERNMENT FUNDING

£

S31 Compensation Fund	1,672,065	To compensate for loss of Council Tax and Business Rates income due to Covid 19. This is the amount remaining and currently, it is not anticipated that it will need to be drawn down further as performance on the Collection Fund has been sustained. As a Section 31 Grant, it is unlikely that this will be recalled, but that is not certain. Therefore, it is recommended that it remains set-aside until next year pending the final account returns to the Government for 2022/23.
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<p>NNDR Relief Overpayment Provision</p>	<p>1,143,009</p>	<p>This is being drawn down to finance the loss of income on the Collection Fund due to Business Rate Reliefs provided by the Government during Covid 19. It is estimated that due to the NNDR deficit on the Fund, it will be drawn down fully in 2022/23.</p> <p>Any unused provision will likely be clawed back by the Government within the national funding system.</p>
<p>New Burdens - COVID-19 Support</p>	<p>480,300</p>	<p>Additional costs have either been absorbed or financed from the Support Grant (below). Ideally, it is recommended that it should first be used as investment in service changes brought about by Covid 19.</p> <p>The only current commitment against the Reserve is £100,000 to finance process and system changes to manual systems at the Depot, in Licensing, together with processing complaints and FOI requests due to changes in working practices.</p> <p>Options are currently being assessed to implement a system to integrate several independent processes for customer contact. However, it is unlikely that this will utilise all of the amount available.</p> <p>Therefore, pending any further developments, it is recommended that the balance after allowing for the above commitments, is set-aside until next year pending the final account returns to the Government for 2022/23.</p>
<p>Homelessness Prevention</p>	<p>418,800</p>	<p>The Council has for several years received an annual grant to fund initiatives to prevent and deal with homelessness. Historically, the Council receives more grant than is spent each year, hence the Reserve has accumulated.</p> <p>There is no indication that it will eventually be clawed back. It should be noted that as a General Fund grant, it cannot be used to supplement any costs in the HRA.</p> <p>Proposals are currently being drawn up to appoint a further officer in the Homelessness Team on a 3-year fixed term contract.</p>

<p>Local Authority Support COVID-19</p>	<p>180,867</p>	<p>The Council received 3 tranches of funding in 2020/21 totalling approximately £1.6 million. This grant continues to be used and spending is reported quarterly to the Finance and Management Committee.</p> <p>Based on spending as at 30 September 2022, it is estimated that approximately £80,000 will remain unspent. The Government have monitored spending on a regular basis and any unspent funds may be clawed back.</p> <p>Therefore, it is recommended that it remains set-aside until next year pending the final account returns to the Government for 2022/23.</p>
<p>Covid - Income Fee Charges</p>	<p>92,803</p>	<p>This grant was received to compensate for the loss of service income during Covid 19. Effectively, this has been covered by the Support Grant (above) with no commitments against it.</p> <p>Therefore, it is recommended that it remains set-aside until next year pending the final account returns to the Government for 2022/23.</p>
<p>Flooding - Community Recovery Fund</p>	<p>84,301</p>	<p>The Council received £101,000 to improve flood defences following Storms Ciara and Dennis in 2020, targeting individual properties and businesses worst affected.</p> <p>Of the remaining amount, £75,000 has been drawn down in 2022/23 to-date and it is likely that the remaining amount of approximately £9,000 will be used.</p> <p>The Council is required to report regularly on expenditure, and it is likely that any unspent amounts will be clawed back.</p>
<p>EU Exit Funding</p>	<p>52,452</p>	<p>The Council has not to-date, incurred any additional administrative, procurement or other costs following the UK's exit from the European Union.</p> <p>It is considered unlikely that this funding will be clawed back and is available for reallocation.</p>
<p>Maurice Lea Park NHLF Grant</p>	<p>23,012</p>	<p>This funding has been earmarked for improvements to play areas and the installation of CCTV at the Park.</p>

COUNCIL FUNDING: LONG TERM REPLACEMENT

£

<p>Vehicle Plant & Asset Replacement Fund</p>	<p>1,062,374</p>	<p>This is spent in accordance with a vehicle replacement programme. The current balance appears healthy, as replacements vary from year to year. The Fund is topped up each year by £350,000 and commitments in the MTFP total £1.6 million. Current projections show the Fund becoming insufficient by 2026/27.</p> <p>Consequently, a review of the Replacement Programme has been planned and a capital sum of £600,000 has been set-aside to cover a shortfall should it arise.</p> <p>Separate funds are set-aside in a Growth Reserve to purchase additional vehicles in the future due to residential development.</p>
<p>Economic Regeneration Fund</p>	<p>894,957</p>	<p>This will be drawn down in 2022 and 2023 to fund the regeneration works in Swadlincote Town Centre as approved by the Finance and Management Committee.</p>
<p>IT Reserve</p>	<p>615,577</p>	<p>This funds the replacement of corporate hardware (laptops, mobile phones and ancillary equipment, etc.) together with upgrades to corporate software such MS Office, anti-virus and firewall protection.</p> <p>Annual contributions are made from any savings in the IT Budget. Given the ever-increasing reliance on technology and expected future advances, it is considered prudent to set-aside resources (<i>for example, a full laptop replacement programme with ancillary equipment could cost around £300,000</i>).</p>
<p>Public Buildings: Planned Maintenance Fund</p>	<p>571,428</p>	<p>These are sums set-aside from capital receipts in 2020. The Reserve is topped up each year by £80,000, together with any underspend in day-to-day repairs. Commitments against this Fund currently total over £300,000 in 2022/23 and 2023/24.</p>

HRA ICT Mobile Working	291,521	This Fund is financed through the HRA to deliver digital and process improvements in the Housing Service in 2022/23 and 2023/24 within the approved Transformation Plan.
Rosliston Capital Reserve	217,444	Funding set-aside for investment in the Forestry Centre. It is expected that plans for its use will be drawn up when the future management of the site has been established. It is expected that this will be finalised mid 2023
HRA Asset Replacement (Vehicles and Plant)	154,722	HRA funds to replace vehicles and plant in future years.
Rosliston Forestry Centre Café	57,202	This reserve receives annual contributions based on turnover generated at the site café. It is set-aside to fund major repairs and maintenance and to act as a sinking fund for future refit/dilapidations work at the café. It has been used in previous years, for example, to replace windows.

COUNCIL FUNDING: SERVICE DEVELOPMENT

£

District Growth	856,628	<p>This Reserve is built up from additional Council Tax collected from the increase in residential properties. It is drawn down and mainly transferred into Waste Collection, Street Cleansing and Grounds Maintenance when existing resources can no longer meet additional demand.</p> <p>There is always a time lag between the income being received to when a stepped increase is required in these services.</p> <p>The General Fund contributes around £100,000 per year into the Reserve from additional Council Tax generated above the approved Tax Base.</p>
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Welfare Reform, Fraud & Compliance	406,936	This has been committed to additional resources in Revenues, Benefits and Customer Services as approved by Finance and Management Committee in August 2022. This committed approximately £300,000 of the Reserve to service development.
Planning staffing and support costs	372,560	The Planning Reserves are an accumulation of additional income above the Base Budget. Proposals are being reported separately to fund 5 additional fixed terms posts until 2025.
Local Plan - Consultation and Implementation	216,193	Current commitments total £76,000 to support the current process of reviewing and updating the Local Plan.
Planning 20% fee increase	148,798	See Planning Staffing (above).
S106 Planning Policy Fee	13,100	This is a fairly new Reserve and it's use will need to be determined at a future date.

COUNCIL FUNDING: SHORT TERM/ONE-OFF

£

Corporate Training	76,185	This is being used in 2022 and 2023 to fund a Leadership and Development Programme for Principal Officers. Commitments of £42,000 have been made with an appointed training provider following a procurement exercise.
Land Charges Software Support	70,000	To format data prior to it being transferred to the Land Registry as part of the transfer of responsibilities for conducting searches. This includes the appointment of external technical support.
Tetron Point Storm Water Basin - S106 UK Coal	53,012	This is being used as part of the funding package for the new Cadley Hill Urban Park in Swadlincote.

TIC Transfer Provision	52,445	This is being used towards property improvements for the new Visitor Information Centre in Swadlincote.
Council Tax Support Scheme - Hardship Fund	51,587	This is being used to top-up the Scheme in 2022/23 as approved by the Finance and Management Committee in June 2022.
New Town Centre Grant - Non-Heritage	43,717	The original budget set-aside to fund improvements to shop frontages on the Delph in Swadlincote. The project is now complete.
Discretionary Housing Top Up	40,000	This is being used to top-up the Fund in 2022/23 as approved by the Finance and Management Committee in June 2022.
Swadlincote Woodlands S106	39,949	The original Section 106 contribution received several years ago totalled approximately £1/4 million. It is drawn down to finance capital and major works at the Woodlands. The remaining amount has been earmarked to help the Site obtain Nature Reserve status.
Parks Improvement Fund	16,071	This is being used to commission the Play and Park Facility Strategy.
Shop Fronts Contribution	15,507	This has supplemented the budget in 2022/23 for improvements to shop frontages on the Delph in Swadlincote (see above). It was set-aside as a contingency should contributions from tenants not be secured. All tenants have now contributed and therefore these funds will be used to fund improvements to other shop fronts in the Town Centre.
Cultural Services Restructure Provision	13,993	This provision is no longer required and is therefore available for reallocation.
Risk Management Training	12,000	This is being used in 2022/23 to deliver training on safety culture and contractor management. The funding was provided by the Council's insurers.

District Conservation Works	10,000	This provision is no longer required and is therefore available for reallocation.
Pressure Washer for Bus Shelter Maintenance	10,000	This was approved as a carry forward from 2021/22 to buy a new piece of equipment.
Software upgrades to GIS/LLPG	9,000	This provision is no longer required and is therefore available for reallocation.

COMMUTED SUMS

£

Public Open Space - Commuted Sums	456,695	<p>£300,000 has been earmarked for sites still to be adopted.</p> <p>£15,000 has been earmarked to Woodville Parish Council for Occupation Lane, until 2025/26.</p> <p>£127,000 has been earmarked for Redrow Pastures Hospital development.</p>
Cultural Services Public Open Spaces	270,433	This is being drawn down until 2025/26 to fund fixed-term posts in Cultural and Community Services following a restructure approved in 2020/21.
Biodiversity	157,638	Developer contribution received in connection with the Woodville Regeneration Route.
Operational Services Public Open Spaces	154,740	Earmarked to meet additional costs in Grounds Maintenance.

COUNCIL FUNDING: PROVISIONS

£

<p>Recycling Service Provision</p>	<p>500,000</p>	<p>A Reserve set-up to fund any future down-turn in the price of recycling material in connection with the risk sharing arrangement under the Kerbside Recycling Contract. Since the Contract commenced in October 2021, the Council has made significant gains, hence the current size of the Reserve. The Contract is due to end in October 2024.</p> <p>Any balance on this Reserve could then be utilised to invest in the Service and to fund any changes to Waste Collection arising from the Environment Act 2021.</p>
<p>Pensions Reserve</p>	<p>225,006</p>	<p>This Reserve has been set-aside to meet increases in Employer (Council) contributions to the Pension Fund following Actuary Valuations. These independent valuations take place every 3 years, the next one of which is due to report in December 2022. The outcome will be reflected in the Council’s contributions from 2023/24.</p> <p>The Council has historically fared better than estimated, hence the relatively healthy balance on the Reserve.</p> <p>Pending the outcome of the current valuation, there may be scope for reallocating some of this fund to meet other spending pressures.</p>
<p>Finance Staffing and Resource costs</p>	<p>90,000</p>	<p>This was set -aside pending the transfer of the Payroll Service into a Shared Service Arrangement and for upgrading the Payroll System which had come to end of life. At this stage, it is unlikely that a transfer of the Service will take place.</p> <p>In the meantime, the System has been upgraded and a review of the Reserve is currently taking place.</p>

Business Change and Transformation	52,000	This has been committed in 2022/23 to a project to implement improvements to manual systems at the Depot, in Licensing, together with processing complaints and FOI requests.
Building Control Transition	13,709	As the transition to a shared service arrangement was implemented several years ago, there is no requirement to maintain this Reserve and it is available for reallocation.