

**REVIEW OF RESERVES**  
**REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

**1. PURPOSE OF REPORT**

- 1.1 This report provides members with the outcomes of a review of the Council's earmarked reserves. The report includes a number of recommendations around further earmarking of these monies and potential transfers from balances to fund future spend.
- 1.2 It is important that earmarked reserves are appropriately and adequately earmarked for future spend and that the Council reviews its reserves on an annual basis to ensure the financial resilience of the Authority.

**2. RECOMMENDATIONS**

- 2.1 That Council considers approval of the recommended transfers to reserves from balances (section 3.4)
- 2.2 That Council considers approval of additional earmarked reserves to fund future spend (section 3.7)

**3. BACKGROUND**

Current Reserve Balances

- 3.1 The Council's earmarked reserves as at 31<sup>st</sup> March 2012 are summarised in the draft Statement of Accounts as follows:

	Balance at 1 April 2010	Transfers out 2010/11	Transfers in 2010/11	Balance at 31 March 2011	Transfers out 2011/2012	Transfers in 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
<b><u>General Fund:</u></b>							
Commutation and Feasibility	247	0	0	247	-10	50	287
Benefits Reserve	170	(58)	60	172	0	100	272
Local Plan	330	(75)	136	391	-17	68	442
Historic Buildings	14	0	0	14	0	0	14
Land Charges	51	0	0	51	0	0	51
Disaster Recovery	118	0	0	118	-118	0	0
Pensions Contributions	67	0	42	109	-75	15	49
Building Control	54	0	10	64	0	70	134
Waste Management Reserve	188	(109)	94	173	-12	82	243
ICT Reserve	241	0	0	241	0	12	253
Grounds Maintenance Health & Safety	14	(14)	0	0	0	0	0
Project Management/Masterplan	343	(10)	0	333	0	0	333
Shared Services Reserve	74	0	0	74	0	0	74
Housing & Planning Delivery Grant	373	(126)	0	247	-75	0	172
Flexible Working/Relocation	162	(147)	0	15	0	0	15

IFRS Capacity Support	15	(13)	0	2	(2)	0	0
Web Development	0	0	0	0	0	0	0
Freedom of Information Training	3	0	0	3	0	0	3
New Performance Improvement	10	0	0	10	0	0	10
Corporate Services	6	(6)	0	0	0	0	0
Housing Energy Certificate Training	11	0	0	11	0	0	11
Finance Capacity Fund	20	(10)	10	20	0	2	22
Priority Improvement Fund	70	0	0	70	0	0	70
Workforce Strategy	3	0	0	3	0	0	3
Elections	60	0	25	85	-68	45	62
Grounds Maintenance	25	0	25	50	0	25	75
Machinery Replacement							
Planning Legal Costs	20	(20)	0	0	0	0	0
Transformation	50	0	0	50	0	0	50
Unapplied Grants and Contributions	779	(15)	98	862	-141	221	942
Relocation Reserve	0	0	182	182	0	135	317
Future Capital Projects	0	0	486	486	0	125	611
Modern.Gov Reserve	0	0	20	20	-18	0	2
Greenfields Reserve	0	0	19	19	0	0	19
Special Expenses	0	0	0	0	-7	55	48
Atkins	0	0	0	0	-9	9	0
Carry Forwards	0	0	0	0	0	136	136
Hub Future Rental Management	0	0	0	0	0	250	250
<b>Total General Fund</b>	<b>3,518</b>	<b>(603)</b>	<b>1,207</b>	<b>4122</b>	<b>(550)</b>	<b>1,398</b>	<b>4,970</b>
<b><u>Housing Revenue Account:</u></b>							
HRA Piper Balance	107	0	10	117	0	9	126
HRA Communal Furniture	40	(36)	0	4	0	0	4
HRA Unapplied Grants and Contributions	0	0	6	6	0	0	6
HRA Housing Repairs Account	270	0	74	344	0	128	472
<b>Total Housing Revenue Account</b>	<b>417</b>	<b>(36)</b>	<b>90</b>	<b>471</b>	<b>0</b>	<b>137</b>	<b>608</b>
<b>TOTAL</b>	<b>3,935</b>	<b>(639)</b>	<b>1,297</b>	<b>4,593</b>	<b>(550)</b>	<b>1,535</b>	<b>5,578</b>

### Current Fund Balances

3.2 The Council's Medium Term Financial Strategy sets out a minimum requirement that 10% of the net budget requirement should be held in balances. Based on this principle, the following transfers can be considered from reserves to balances:

	<b>HBBC</b>	<b>Special Expenses</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net budget requirement	9,747	474	10,221
Minimum balances	975	47	1,022
General Fund Balance 31/03/2012 (subject to audit)	2,069	224	2,293
Maximum transfer	1,094	177	1,271

3.3 Under self financing, the Council will generate larger surpluses on the Housing Revenue Account. The HRA Business Plan proposes that an element of HRA

balances will be transferred into an additional “regeneration reserve” each year as follows:

Year	2012.13	2013.14	2014.15	2015.16	2016.17
	1	2	3	4	5
	£'000	£'000	£'000	£'000	£'000
Regeneration reserve balance	2,834	4,734	6,234	8,134	10,134
Transfer to reserve	2,834	1,900	1,500	1,900	2,000

- 3.4 Based on these calculations, it is recommended that **£1.094million** is transferred from General Fund Balances, **£0.177million** from Special Expenses Balances and **£2.834m** from the Housing Revenue Account in 2012/13 to earmarked reserves. The balance of available earmarked reserves would therefore be:

	General Fund	Special Expenses	Housing Revenue Account	Total
	£000	£000	£000	£000
Opening Balance (1st April 2012)	4,922	48	608	5,578
Transfer	1,094	177	2,834	4,105
<b>Available Balance</b>	<b>6,016</b>	<b>225</b>	<b>3,442</b>	<b>9,683</b>

#### Review of earmarking

- 3.5 The current level of reserves has been reviewed based on current service needs and the requirements outlined in the Medium Term Financial Strategy. In addition, the earmarking of reserves has been reviewed to ensure they are appropriately earmarked for specific purposes and are still required.
- 3.6 A number of reserves have not been utilised in since 1<sup>st</sup> April 2010 and have been reviewed below to ensure they are still required by the Council.

Reserve	Balance (£000)	Use	Review
Historic Buildings	14	This reserve is to allow owners of listed buildings the opportunity to borrow money to fund historic alterations and restorations. It will be used as and when applications for loans are submitted and contributions will be made as and when repayments are received.	Applications for loans may continue to be received and therefore it is proposed that this reserve will be retained.
Land Charges	51	During the first quarter of the 2005 calendar year there had been a noticeable reduction in income received from search fees. This was mainly due to the slowdown in the housing market at that time and also a shift from Standard Searches to more Personal Searches. Given the trend and the fact that the level of fees is driven by demand, this reserve was established to meet	Reserve to be re-earmarked for costs associated with planning enforcement and potential appeals. This will be increased from any additional savings made in 2012/13.

		any shortfall in income.	
Shared Services	74	This reserve has been created to deal with any one off costs associated with increased collaboration and shared working of the Council across Leicestershire	The Council continues to examine opportunities for shared working across the County and therefore it is proposed this reserve is retained to fund any cost associated with these ventures.
Freedom of Information Training	3	To provide resources to enable employees to be trained in the requirements of the Freedom of Information Act.	Reserve no longer required. To be released.
Performance Improvement	10	This reserve has been established to develop a base line for the new performance improvement set.	Reserve to be re-earmarked for future development of the TEN system.
Housing Energy Certificate Training	11	To provide resources for Housing Energy Certificate Training	This reserve is required to fund this training when the Council looks to provide energy advice for private sector housing.
Priority Improvement Fund	70	To provide resources to enable the Council to undertake projects in areas that have prioritised for improvement.	Reserve is no longer required.
Workforce Strategy	3	To provide resources to enable the workforce strategy to be developed	Additional work is required to continue to develop this strategy and therefore it is proposed that this reserve is retained.
Transformation	50	This reserve has been created to provide resources to support the Transformation agenda within the Council	The Council continues to have a transformation programme to identify efficiency savings within the MTFS. It is proposed that this reserve is retained.

3.7 The following additional requirements for reserves have been identified:

- Local Plan – An element of expenditure for 2012/13 from this reserve has not been incorporated into the Medium Term Financial Strategy and therefore a transfer from released reserves has been requested to fund this shortfall. The value of those released static reserves is recommended (£0.073million)
- Business Rates Pooling – The Council is considering options for pooling of business rates. The total exposure to the Council based on a safety net threshold of 7.5-10% is approximately £0.220million. A reserve for this level should be considered and set up over 2 years.
- Council Tax Benefit Changes – The Council may encounter additional costs of administration and recovery following the introduction of a local Council Tax Benefit scheme. It is proposed that approximately £0.138million of additional costs should be earmarked for funding within the existing “Benefits” reserve

- Community Safety – Costs of funding intranet development work for informing officers of potentially violent customers - £0.0024million
- Troubled families- The Council has agreed to make a cash investment of £0.090million towards the Leicestershire Troubled Families programme. This will be released over a 3 year period
- Relocation of offices – Additional funding is required for the cost of furniture in the Council's new office building. On this basis, half of the current "Future Capital Projects" reserve will be transferred to Relocation Reserve (£0.305million). This create a total reserve of £0.622million
- Leisure Centre – Costs associated with capital investment in the leisure centre in order to reduce future borrowing. Levels of over £1million of costs have been identified. A reserve for the balance of available funds within the General Fund has been proposed in addition to the remainder of the balance in the "Future Capital Projects Reserve".

3.8 Pending the approval of the above suggestions, the balance of the Council's earmarked reserves is outlined below:

	Balance at 31 March 2011	Transfers out 2011/2012	Transfers in 2011/2012	Balance at 31 March 2012	Proposed transfer to/(from) reserve	Balance for use
	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>						
Comutation and Feasibility	247	-10	50	287	0	287
Benefits Reserve	172	0	100	272	138	410
Local Plan	391	-17	68	442	73	515
Historic Buildings	14	0	0	14	0	14
Planning Enforcement (ne "Land Charges")	51	0	0	51	0	51
Disaster Recovery	118	-118	0	0	0	0
Pensions Contributions	109	-75	15	49	0	49
Building Control	64	0	70	134	0	134
Waste Management Reserve	173	-12	82	243	0	243
ICT Reserve	241	0	12	253	0	253
Project Management/Masterplan	333	0	0	333	0	333
Shared Services Reserve	74	0	0	74	0	74
Housing & Planning Delivery Grant	247	-75	0	172	0	172
Flexible Working/Relocation	15	0	0	15	0	15
IFRS Capacity Support	2	-2	0	0	0	0
Freedom of Information Training	3	0	0	3	-3	0
Performance Improvement	10	0	0	10	0	10
Housing Energy Certificate Training	11	0	0	11	0	11
Finance Capacity Fund	20	0	2	22	0	22
Priority Improvement Fund	70	0	0	70	-70	0
Workforce Strategy	3	0	0	3	0	3
Elections	85	-68	45	62	0	62
Grounds Maintenance	50	0	25	75	0	75
Machinery Replacement						

Transformation	50	0	0	50	0	50
Unapplied Grants and Contributions	862	-141	221	287	0	287
Relocation Reserve	182	0	135	317	305	622
Future Capital Projects	486	0	125	611	-611	0
Modern.Gov Reserve	20	-18	0	2	0	2
Greenfields Reserve	19	0	0	19	0	19
Special Expenses	0	-7	55	48	177	225
Atkins	0	-9	9	0	0	0
Carry Forwards	0	0	136	136	0	136
Hub Future Rental Management	0	0	250	250	0	250
Business Rates Pooling	0	0	0	0	110	110
Community Safety	0	0	0	0	3	3
Leisure	0	0	0	0	1,059	1,059
Troubled Families	0	0	0	0	90	90
<b>Total General Fund</b>	<b>4,122</b>	<b>-550</b>	<b>1,398</b>	<b>4,970</b>	<b>1,271</b>	<b>6,241</b>
<b><u>Housing Revenue Account:</u></b>						
HRA Piper Balance	117	0	9	126	0	126
HRA Communal Furniture	4	0	0	4	0	4
HRA Unapplied Grants and Contributions	6	0	0	6	0	6
HRA Housing Repairs Account	344	0	128	472	0	472
HRA Regeneration Reserve	0	0	0	0	2,834	2,834
<b>Total Housing Revenue Account</b>	<b>471</b>	<b>0</b>	<b>137</b>	<b>608</b>	<b>2,834</b>	<b>3,442</b>
<b>TOTAL</b>	<b>4,593</b>	<b>-550</b>	<b>1,535</b>	<b>5,578</b>	<b>4,105</b>	<b>9,683</b>

### 3 **FINANCIAL IMPLICATIONS (KB)**

The Council's Medium Term Financial Strategy sets out a minimum requirement that 10% of the net budget requirement should be held in balances. In order to ensure the financial resilience of the Council, amounts may be set aside in earmarked reserves for future spending.

### 4 **LEGAL IMPLICATIONS (LH)**

There are no legal implications arising directly from this report.

### 5 **CORPORATE PLAN IMPLICATIONS**

This report contributes to the achievement of the following Corporate Plan Priorities:

- The Council sets a balanced budget that meets all requirements of the Council and is aligned to the priorities of the Council and its citizens
- The Council's major projects are completed to time and to budget
- The Council's financial standing is maintained and the finances remain healthy over the period of the plan

### 6 **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
None		

**8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none.

**9. CORPORATE IMPLICATIONS**

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

---

Background Papers:           Civica Authority Financials reports  
  Draft Statement of Accounts

Author:                            Katherine Bennett Accountancy Manager ext 5609

Executive Member:           Councillor KWP Lynch