

REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	11th OCTOBER 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/ live files/financial strategy/reserves/review of earmarked reserves Oct 2018
SUBJECT:	REVIEW and PROPOSED USE OF EARMARKED RESERVES	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Planning Services Reserve is earmarked for capital investment to develop a corporate mapping and geographical information system.
- 1.2 That the Corporate Services Innovation Fund is transferred to the ICT Reserve.
- 1.3 That the residual amount on the Play Equipment Reserve is transferred to the Leisure Maintenance Reserve.
- 1.4 That amounts set-aside for matters arising from the Localism Act 2011 are transferred to the General Fund Reserve as detailed in the Report.

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 Subsequently, the report proposes changes to several reserves for which their intended purpose has been superseded.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 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 2018 and matters for further consideration are detailed in the following sections.

Planning Services

3.7 An amount of £102,000 has previously been set-aside and utilised for additional resources in Planning Services.

- 3.8 The Committee approved a revised staffing structure for Planning in June 2018. This has been financed from existing resources, together with additional planning fees following the Government's 20% increase, which has been applied since January 2018.
- 3.9 This additional income is being set-aside in its own reserve (as shown in Appendix 1) to meet the Government's expectation that this income is reinvested back into Planning. Therefore, it is considered that this "Fees Reserve" now supersedes the requirement to hold this particular general planning reserve.
- 3.10 Following the replacement of the Planning software, as approved by the Committee in July, a further business change project is being developed to enhance mapping and geographical information systems so that a single corporate database is used across the Council.
- 3.11 An outline business case was reported to the Committee in April 2017 to be implemented when resources allowed. If this reserve is reallocated, it would enable an appropriate level of capital investment to be set-aside pending a detailed business case to be prepared.

Corporate Services Innovation Fund

- 3.12 This Fund is an accumulation of various savings made from procurement and business improvement over the period of the out-sourcing arrangement with Northgate Public Services. The aim of the Fund was to invest the savings to generate further efficiencies.
- 3.13 No bids have been made against this Fund. Therefore, it is proposed that the balance of the Fund (£81k) is transferred to the ICT Reserve. This would supplement the programme of works to improve systems in order to achieve more efficient working in back-office services as identified in the IT Strategy.

Facilities Development

- 3.14 An amount of £30,000 was previously earmarked to fund external support to produce a strategy for securing developer contributions towards sport and recreational facilities. This work is being completed within existing resources.
- 3.15 Therefore, this additional funding is no longer required. It is proposed that the Reserve is now added to the Leisure Maintenance Reserve (below) pending a work programme being drawn-up.

Play Equipment

- 3.16 There is a small balance of approximately £3,000 remaining in this Reserve following various capital schemes in previous years. It is proposed that the amount is transferred to the Leisure Maintenance Reserve.

Localism Act Funding

- 3.17 The Council received three separate amounts some years ago from the Government, totalling approximately £45,000. These were to fund administrative costs associated with the Community Right to Bid and the Right to Challenge, together with formatting data in a consistent form for reporting requirements. These were new initiatives introduced in the 2011 Localism Act.
- 3.18 Although the Council has received several applications under the Community Right to Bid, these have been dealt with at no extra cost. The data reporting requirements were also dealt with at no extra cost.
- 3.19 The Council has not received any applications under the Community Right to Challenge. It is considered that any further requests would be dealt with from existing resources. Therefore, it is proposed that the amount in the Reserve is transferred to the General Fund Reserve.

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 2018

COUNCIL FUNDS

Reserve and Value as at 31 st March 2018.	Use	Funding Basis	Delegated Responsibility / Control / Approvals, etc.	Review Period / Projected End Date (if applicable)
District Growth (£600k)	To fund future demand on services arising from growth of the District.	Additional Council Tax income and New Homes Bonus.	Finance and Management Committee.	As additional demand is identified, a business case is prepared for consideration by the Committee.
Vehicle and Plant (Asset) Replacement (£854k)	To finance the capital purchase of new vehicles and plant.	Annual contributions from the General Fund.	Direct Services Manager, with reference to the approved Asset Replacement Programme and liaison with the Procurement Team.	On-going – this is an operational reserve.
Factory Site (Hearthcote Road) Capital Works (£12k)	To meet obligations under a lease agreement.	Capital fund lodged by the tenant.	Corporate Asset Manager.	Works completed in 2017/18. Balance held for retention payment. Next review of lease in 2019.
ICT / Telecommunications (£282k)	To finance capital developments and upgrades to the Council's ICT platform and infrastructure. Detailed spending plan to 2020 outlined in IT Strategy. Expenditure to be incurred in 2018/19 and 2019/20.	Unused budgetary provision in the ICT annual budget.	ICT strategy and work programme; budget controlled by the ICT and Business Transformation Manager.	On-going - this is an operational reserve.

Pensions (£138k)	To finance increases in the Council's contribution to the Derbyshire Pension Fund.	Funding set-aside in 2013 to mitigate risk identified in the MTFP.	Strategic Director (Corporate Resources) makes recommendations to the Committee.	Being drawn down over the period of the MTFP subject to the next valuation of the Pension Fund in 2019.
Development of the Local Plan (now set-aside to replace IT systems – see note) (£108k)	To meet one-off costs of developing, consulting and adopting the Local Plan.	Additional income from Planning Fees in previous years.	Strategic Director (Service Delivery).	As no further costs were expected beyond 2017/18, a proposal to transfer the balance to finance the replacement of the Planning and Land Charges System was approved by the Committee in July 2018.
Planning Income (£33k)	To re-invest into Planning Services as expected by the Government. The Reserve is currently funding additional staff as approved by the Committee in June 2018.	Additional income generated from the national 20% increase in planning fees which was introduced in January 2018.	Planning Services Manager, subject to confirmation of HR implications and any necessary Committee approval.	Budget out-turn – annually in July.
Planning Services (£102k)	To fund staffing and support costs to meet peaks in the volume of planning applications.	Additional income from Planning Fees in previous years.	As above.	Due to the Reserve above, it is considered that this Reserve is no longer required. Therefore, it is proposed that the amount is set-aside to develop mapping and geographical data to provide a single database across the Council.
Repton Parish Council	To contribute to new or	Residual value of	Ring-fenced subject to a	The Parish and the Village

(£33k)	improved recreational facilities in the Parish of Repton.	sale proceeds of a former Council depot.	legal agreement which stipulates how the funding is used.	Hall Committee have recently secured a financial package to redevelop the Village Hall. It is currently subject to procurement and the Council's contribution is due imminently.
Corporate Services Innovation Fund (£81k)	Contractual payment to the Council. Currently, there are no specific proposals.	A proportion of procurement and business improvement savings accumulated from the Corporate Services Partnership.	Finance and Management Committee.	It is now proposed that this Fund is transferred to the IT Reserve to finance Council-wide projects.
Rosliston Forestry Centre Capital Reserve (£150k)	To pay for capital investment at the Centre.	A combination of operating surpluses, budget underspends grants and income over several years.	Rosliston Forestry Centre Executive Board.	Following the management of the Centre being brought back in-house in April 2018, detailed plans have been postponed pending a strategic review of operations.
Rosliston Forestry Centre Café (£12k)	To fund repairs and maintenance specific to the Café under a lease agreement.	The Council receives a share of the turnover from the Café.	Cultural Services Manager.	On-going - this is an operational reserve.
Facilities Development	To fund external support to draw up a plan for securing	Additional income from Planning Fees	Cultural Services Manager.	This exercise is being completed within existing

(£30k)	developer (S106) funds for new recreational facilities.	in 2015/16.		resources and the funding is no longer required. It is proposed that the Reserve is now added to the Leisure Maintenance Reserve (below) pending a work programme being drawn-up.
Civic Offices (£50k)	To fund additional maintenance identified for the main administrative building.	Underspends in the main operational budget in previous years.	Corporate Asset Manager and the Public Buildings Officer.	Budget out-turn – annually in July. A maintenance programme is currently under review.
Leisure Maintenance (£33k)	To contribute to one-off works.	Underspends in the main operational budget in previous years.	Cultural Services Manager.	Budget out-turn – annually in July. A maintenance programme is currently under review.
Corporate Training (£41k)	To fund the Leadership and Management Development Programme.	Unspent allocations carried forward to meet costs over a 3-4 year period.	Leadership Team.	Programme completed. No further commitments at this stage. Proposed to maintain pending implementation of the LGA/DMA review of senior management.

APPENDIX 1: ANALYSIS OF EARMARKED RESERVES 2018

SPECIFIC GRANTS and CONTRIBUTIONS

Reserve and Value as at 31 st March 2018.	Use	Funding Basis	Delegated Responsibility / Control / Approvals, etc.	Review Period / Projected End Date (if applicable)
Public Open Space – Commuted Sums (£1.26m)	To fund on-going costs associated with maintaining new/adopted open space and parks.	Developer (Section 106) Planning contributions	Housing and Community Services Committee.	Annual budget round to ensure sufficient resources are drawn down to meet commitments. A review is currently in progress to determine the best use of these resources in future years.
Community and Cultural Services <ul style="list-style-type: none"> • <i>Youth Engagement (£638k)</i> • <i>School Sports (£189k)</i> • <i>Community Safety/Crime Reduction (£331k)</i> • <i>Culture/Arts Development (£7k)</i> • <i>Get Active in the Forest (£43k)</i> • <i>Environmental Education (£33k)</i> 	Several partnership reserves which are held by the Council as the Accountable Body to fund some staffing costs and project work in these specific areas.	External contributions and grants	Housing and Community Services Committee.	Annual budget round or where approval is required for a new initiative.
Tetron Point Storm Water Basin (£53k)	Tetron Point Development.	Section 106 Planning contribution.	None specific as it is a ring-fenced amount.	Awaiting drawdown.
Swadlincote Woodlands	To fund on-going costs associated with maintaining this	Planning (Section 106) contribution	Housing and Community Services Committee.	Annual budget round to ensure sufficient resources

(£50k)	area.	received several years ago. The original amount was approximately £1/2m, but this has been drawn down to finance on-going maintenance costs.		are drawn down to meet costs. The remaining balance of £50k has remained static for 3 to 4 years as existing costs are now within the Council's mainstream budget. Effectively, the retained balance acts as a contingency.
Play Equipment (£3k)	To fund the replacement of play equipment and to improve safety surfacing.	Various external contributions and grants.	Housing and Community Services Committee.	Small residual amount remaining. It is proposed that this amount is transferred to the Leisure Maintenance Reserve.
Maurice Lea Park (£23k)	To fund improvements at the Park.	National Heritage Lottery Fund.	Housing and Community Services Committee.	All works identified in the original grant completed. Residual amount remaining which can be spent on the Park.
Homelessness Prevention (£173k)	To fund initiatives and projects to prevent homelessness in accordance with the Homelessness Reduction Act 2018.	Government Grants under the New Burdens Doctrine.	Housing and Community Services Committee.	Annual budget round to ensure sufficient resources are drawn down to meet commitments. It is anticipated that this reserve will be fully utilised over the term of the MTFP.
Welfare Reform, Fraud and Compliance	To fund system improvements and to streamline processes to prevent and detect fraud,	Government Grants under the New Burdens Doctrine.	Strategic Director (Corporate Resources).	Annual budget round to ensure sufficient resources are drawn down to meet

(£241k)	benefits processing, together with implementing local changes arising from Welfare Reform and Universal Credit (UC). This includes supporting affected people to access benefits and support.			commitments. It is anticipated that this reserve will be fully utilised over the term of the MTFP and is being kept under review pending the introduction of UC across the District and neighbouring areas.
Localism Act Funding <ul style="list-style-type: none"> • <i>Community Right to Bid (£20k)</i> • <i>Community Right to Challenge (£16k)</i> • <i>Data Sharing (£7k)</i> 	To fund administrative costs of implementing the legislative requirements locally.	Government Grants under the New Burdens Doctrine.	Strategic Director (Corporate Resources).	Costs have been absorbed in current budgets and it is not anticipated that any significant costs will now be incurred. Therefore, it is proposed that the total amount of £43k is transferred to the General Fund Reserve.
Heritage Grants (£18k)	To fund contributions to renovate shops and business premises.	The Heritage Lottery	Heritage Grants Sub-Committee.	At Committee meetings.
Town Centre Projects Fund (£26k)	To fund works in Swadlincote Town Centre	Additional income and grants in Economic Development.	Economic Development Manager.	Works are due to be completed in 2018/19.
Electoral Registration (£4k)	To support improvements to implement Individual Electoral Registration.	Government Grants under the New Burdens Doctrine.	Legal and Democratic Services Manager.	Small residual amount remaining. It is proposed that it is held as a contingency pending the 2019 District Election.
Infinity Garden Village Reserve (£228k)	To finance work to secure infrastructure improvements. Expenditure programme approved by EDS Committee on	Central Government.	Strategic Director (Service Delivery).	Progress subject to separate reports. Expenditure to be undertaken in 2017/18 and

	28 th September 2017.			2018/19.
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