

<b>SUBJECT:</b>	<b>REVIEW OF CHILTERN DC RESERVES</b>
<b>REPORT OF:</b>	Support Services Portfolio Holder (Deputy Leader) - Mike Stannard
<b>RESPONSIBLE OFFICER</b>	Director of Resources - Jim Burness
<b>REPORT AUTHOR</b>	Head of Finance - Rodney Fincham
<b>WARD/S AFFECTED</b>	All

## 1. Purpose of Report

- 1.1 To review the reserves held by the Council.

## RECOMMENDATION

The Cabinet agrees to

1. To reduce the level of the General Reserve to £2,500k, and reallocate funding into earmarked reserves for a) Affordable Housing Reserve, b) Leisure Strategy Implementation, and c) Pension Fund Reserve.

2. To realign the revised total for earmarked reserves as set out in Appendix A.

## 2. Executive Summary

- 2.1 The Council has a General Reserve and a number of earmarked reserves. The review of the level of the General Reserve, indicates it can be reduced to £2,500k taking into account the earmarked reserves that exist to cover financial risks and the forecast revenue funding gap over the next four years.
- 2.2 The Council currently has 19 earmarked reserves, for purposes of managing financial risks and to provide funding for priority programmes of the Council. The report proposes realigning the earmarked reserves and amending the levels of some of the reserves in the light of current needs and priorities. The revised schedule of earmarked reserves is set out in Appendix A.

## 3. Reasons for Recommendations

- 3.1 The Council has a number of reserves. These need to be kept under review taking into account the current financial issues facing the Council. In addition the overall level of the General Reserve needs to be reviewed.

## 4. Content

General Reserve

- 4.1 The balance on the General Reserve as at the 31<sup>st</sup> March 2015 is £6,255k. However of this only £5,398k is available for the Council to use at its discretion. The usable balance is

significantly higher than the minimum level recommended by the Director of Resources for the current year, £850,000.

- 4.2 The General Reserve needs to be considered in the light of risks that could have financial impacts on the authority, however Chiltern does have a number of earmarked reserves to help mitigate the financial impact of many of these.
- 4.3 The General Reserve also needs to be considered in the context of the Medium Term Financial Forecast. When setting the budget for 2015/16 the forecast was indicating shortfalls in resources from 2017/18 onwards, and this needs to be borne in mind when considering the level of the General Fund.

	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
Forecast Surplus / (Shortfall)	0	507	(150)	(611)	(839)

- 4.4 Taking all these factors into account the level of the General Fund reserve could be prudently set at £2,500k, and £2,898 transferred to earmarked reserves in 2015/16.

#### Earmarked Reserves

- 4.5 Earmarked reserves are amounts set aside for specific policy purposes or for contingencies against specific financial risks. For each reserve established, the purpose, usage and control need to be clearly defined. Usual use is controlled by the Cabinet or delegated to a senior officer in consultation with a relevant Cabinet member.
- 4.6 The Council currently has 19 earmarked revenue reserves. As at 31<sup>st</sup> March 2015, the balance on these revenue reserves was £4,956k. A list of the current earmarked reserves, their balance as at 31<sup>st</sup> March 2015 and the purpose for which they are held is detailed in Appendix A, together with the planned additions to, or uses of, the non-capital reserves in 2015/16.

#### Future Demands on Reserves

- 4.7 There are 3 key demands on the Council Reserves.
- To help support the Council's Revenue Budget in light of future reductions in Government funding.
  - To help support the Council's Capital Investment Programme.
  - To support specific projects / issues.
- 4.8 As already indicated in the report the General Fund balance is very healthy and is of a level that it should be sufficient to manage year on year fluctuations of expenditure and income.
- 4.9 The following table shows the current predicted funding of the Capital Programme. This shows we will need a minimum of £3,391,000 of internal funds to support the Capital Programme over the next 4 years.

	2015/16	2016/17	2017/18	2018/19	Total
Capital Expend - Approved Orig	1,896	753	690	540	3,879

Capital Expend - Carry Forward	651	651
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Funded by:

- Grants and Contributions	386	251	251	251	1,139
- Internal Resources	2,161	502	439	289	3,391

4.10 Internal Capital Funds in 2015/16 currently stand at £4,759k:

- Capital Receipts Reserve £2,680k.
- Capital Projects Reserve £2,079k (£378k plus £1,701k addition in 2015/16)

4.11 Therefore at present our Capital Programme is funded. However there are likely to be requests to add new schemes to the programme, and there will be the need to fund a programme beyond 2019/20. Therefore earmarking additional funds for Capital projects is something to consider.

4.12 At present no specific funding has been set aside to fund expenditure related to the future direction of the Leisure Strategy for Chiltern and specifically the redevelopment of the Chiltern Pools site. As a minimum it could anticipate the need for further studies and feasibility work, in advance of any procurements, and these will need to be supported and project managed.

4.13 The provision of affordable housing continues to be an issue, and with the reduce funding likely to come from development agreements the Council may need to review the resourcing of its housing plans, including the acquisition of land for housing purposes.

4.14 The office accommodation needs of the authority will require investment through the Capital Programme even if this is just to maintain the KGV site.

4.15 An issue in recent years has been the Pension Fund deficit. The Council made a one off additional payment into the Fund in 2013/14 to reduce the deficit. The next triennial review of the Fund will be reporting in the autumn of 2016, and the Fund will still have a deficit. Therefore it would be prudent to set aside some funding that could be deployed at that time towards additional contributions.

4.16 Appendix A sets out the proposed redistribution of some of the reserves to address all these issues.

## 5. Consultation

5.1 The report has been considered by the Resources Overview Committee

## 6. Options

6.1 Other options to consider are to not to make any changes to the reserves, however this would mean that resources are not being aligned to current priorities. Alternatively the changes to reserves could be left until later in the year to be undertaken as part of the 2016/17 budget process, however any changes at this stage would not preclude further refinements later in the year.

## 7. Corporate Implications

7.1 The review of reserves is part of efficiently using Council resources for its priorities.

## CHILTERN RESERVES 2015/16

	Balance at 01/04/15 £'000	Added 2015/16 £'000	Utilised 2015/16 £'000	Movement	Balance 31/03/16 £'000
<b>Local Development Framework Reserve</b> To hold Housing and Planning Delivery Grant until expenditure incurred	246		-306	175	115
<b>Planning Reserve</b> To meet the costs of enforcement action and planning appeals, which can vary greatly from year to year, and to manage the significant costs arising from the periodic preparation, examination in public and approval of the Local Development Framework	635				635
<b>Neighbourhood Planning Reserve</b> To hold Neighbourhood Planning Grant until expenditure incurred	17				17
<b>Rent Deposit / Private Leasing and Homelessness Prevention Reserves</b> To provide funding to assist households in accessing affordable housing and avoiding homelessness	184			-84	100
<b>Preventing Repossessions</b> To hold Preventing Repossessions Grant until expenditure incurred	19			31	50

	Balance at 01/04/15 £'000	Added 2015/16 £'000	Utilised 2015/16 £'000	Movement	Balance 31/03/16 £'000
<b>Housing Benefits Reserve</b> To meet fluctuations in respect of housing benefits subsidy	508				508
<b>Waste Initiatives Reserve</b> A reserve established to support the delivery of waste and recycling services across the district	294				294
<b>Business Rates Retention Reserve</b> To respond to changes in funding following the localisation of business rates	250				250
<b>Transformation Reserve</b> A reserve established to enable the council to achieve further savings and efficiencies through service delivery review and other organisational change	116			-16	100
<b>Workforce Strategy Reserve</b> A reserve set aside to contribute towards future one off costs arising from organisational change and potential shared service arrangements	125			-25	100
<b>Election Fund</b> To meet the cost of local elections as and when required	96		-76	20	40

	Balance at 01/04/15 £'000	Added 2015/16 £'000	Utilised 2015/16 £'000	Movement	Balance 31/03/16 £'000
<b>Community Support Reserve</b> This reserve holds grant monies received until expenditure is incurred.	58			<b>42</b>	100
<b>HS2 Reserve</b> To cover potential costs involved in the planned HS2 rail route	322			<b>50</b>	372
<b>Affordable Housing</b> To provide for Affordable housing projects	425			<b>575</b>	1000
<b>Car Parks</b> For improvements to car parks	100				100
<b>Business Development Fund</b> For projects targeted at helping businesses grow within the District	250		<b>-100</b>	<b>50</b>	200
<b>S106</b> To hold unconditional S106 monies	25				25
<b>Capital Projects Reserve</b> This reserve is credited with interest earned and is held to provide resources for capital expenditure	0	<b>1701</b>		<b>80</b>	1781

	Balance at 01/04/15 £'000	Added 2015/16 £'000	Utilised 2015/16 £'000	Movement	Balance 31/03/16 £'000
<b>Refuse Vehicles Fund</b> To provide for the replacement of the vehicles over the next seven years	378	<b>394</b>			772
<b>Repairs &amp; Renewals Fund</b> For the replacement of vehicles, plant, machinery and equipment as required and as a contingency for major repairs to buildings	908				908
<b>Pension Fund</b> Additional pension provision				<b>1000</b>	1000
<b>Leisure Fund</b> For development of leisure provision				<b>1000</b>	1000
<b>Total Earmarked Reserves</b>	4956	2095	-482	2898	9467
<b>General Reserve</b>	5398			<b>-2898</b>	2500
<b>Capital Receipts Reserve</b>	2680				2680
	13034	2095	-482	0	14647

Note: The three shaded pairings of reserves to be merged to form three reserves rather than six.