

# Specific Reserves Working Group

Minutes - 9 February 2021

## Attendance

### Members of the Specific Reserves Working Group

Cllr Alan Bolshaw  
Cllr Bhupinder Gakhal  
Cllr Roger Lawrence  
Cllr Udey Singh

### Employees

Julia Cleary	Systems and Scrutiny Manager
Michelle Howell	Finance Business Partner
Earl Piggott-Smith	Scrutiny Officer
Alison Shannon	Chief Accountant
Martin Stevens	Scrutiny Officer

## Part 1 – items open to the press and public

*Item No.*    *Title*

**1        Welcome and Introductions**

Cllr Bhupinder Gakhal, Chair, welcomed everyone to the virtual meeting and advised it was being live streamed to the press and public. A recording of the meeting would be available for viewing on the Council's website at a future date

**2        Meeting procedures to be followed**

Cllr Gakhal explained the protocol to be followed during the meeting for asking questions and reminded everyone that microphones should be muted and cameras off, unless they have been invited to speak.

Earl Piggott-Smith, Scrutiny Officer, confirmed the list of attendees at the meeting.

Cllr Bhupinder Gakhal  
Cllr Udey Singh  
Cllr Alan Bolshaw  
Cllr Roger Lawrence

**Please note the following officers are also in attendance:**

Alison Shannon  
Michelle Howell  
Martin Stevens  
Julia Cleary

3        **Apologies for Absence**

There were no apologies for absence

4        **Declarations of Interest**

There were no declarations of interest recorded.

5        **Specific Reserves Working Group - Terms of Reference**

Earl Piggott-Smith, Scrutiny Officer, presented the terms of reference which detailed the remit of the working group.

Resolved:

The panel agreed to note the report.

6        **Review of Specific Reserves**

Alison Shannon, Chief Accountant, introduced the report. The Chief Accountant advised the group that Michelle Howell, Finance Business Partner, was also in attendance to provide further information, if needed.

The Chief Account outlined the background to the report and explained the role of working group in reviewing the appropriateness of the specific reserves held by the Council as part of the budget review process.

The working group were asked to comment on any changes or further information that would help them to more effectively meet their responsibilities as detailed in the terms of reference.

The Chief Accountant explained the difference between the two appendices and that those listed in Appendix 2 have a specific criteria which limits their use.

The following is a summary of the comments and discussion on the specific reserves working group listed in Appendix 1.

Alison Shannon, Chief Accountant, advised the working group that as part of the annual budget setting process this report is being presented for comments and feedback on the appropriateness of the specific reserves held by the Council. The report lists all the reserves that the Council is holding as at 31 March 2020 and the planned usage for this financial year ending March 2021.

The findings and recommendations from the working group will be presented to Our Council Scrutiny Panel meeting on 17 March 2021. Under the Council's financial procedure rules the specific reserves balances must be reviewed at least twice per financial year, as part of the outturn and budget preparation processes. The last such review was reflected in the 'Reserves, Provisions and Balances 2019-2020' report to Cabinet on 8 July 2020.

The Chief Accountant advised the group that Council's current specific reserves balances is detailed at **Appendix 1**. The reserves in **Appendix 2** can only be used in accordance with the specific criteria they were set up for.

The panel asked for clarification about the use of the Council reserves and confirmation that it is to be used for internal purposes to meet borrowing needs if required. The panel commented that it was important to understand that money held in reserves is not kept in a savings account earning interest and it is used by the Council for internal borrowing purposes, which brings revenue savings over borrowing costs. The reserves can be increased using external borrowing.

The Chief Accountant confirmed that the Council uses reserves are used to meet the Council's internal borrowing first before undertaking any external borrowing as it reduces the amount of interest charged. The cash balances from the reserves can be moved to support the capital programme during the financial year. During this financial year the Council has not had to borrow funds externally to fund its capital programme and instead has used its cash balances to support this expenditure.

The Chief Accountant suggested that each of the specific reserves listed should be considered in turn and then the group will have the chance to comment after a brief explanation.

The following is a summary of the notes on each specific reserve listed in **Appendix 1 and 2** and any comments, from the group, on their appropriateness.

### **Adults Social Care Reserve**

The Chief Account advised the group that there has been increasing demand for adult social care services over a number of years. In response to this a specific reserve was set up to deal with these fluctuations in demand. There is £1.2 million in the account, which is planned to be used by the end of the financial year. The Chief Accountant advised the panel that it was reported that there was a overspend in Quarter 2 of £1.4 million on the adult social care budget. However, as at Quarter 3 the current plan is to use £600,000 of the reserves.

### **Safeguarding Partnership Board**

The Chief Accountant advised the group that this reserve consists of funds contributed by partner agencies to fund the running costs of the Safeguarding Partnership Board. The reserve is used to meet the cost pressures within the budget arising from undertaking safeguarding reviews, if required.

### **HRA Homelessness**

The Chief Accountant advised the group that the reserve was set up to support early intervention initiatives aimed at preventing homelessness. The reserve is anticipated to be fully used by the end of the current financial year.

### **Kickstart Loans**

The Chief Accountant advised the group that the reserve is anticipated to be fully used by the end of the financial year to support minor private sector housing improvements.

### **Climate Change Reserve**

The Chief Accountant advised the group that the reserve was set up at the end of 2019-2020 as part of Council's response to tackling climate change. The fund will be used to support projects aimed at achieving carbon reductions. The reserve will be used to fund some commitments by the end of the March 2021.

### **Transformation Reserve**

The Chief Accountant advised the group the purpose of reserve and where the fund has been used to deliver greater efficiencies, for example, paying for professional expertise to establish an external operator for the refurbished Civic Halls that is expected to generate efficiencies in the future.

### **Budget Contingency Reserve**

The Chief Accountant advised the group of the purpose of reserve is to address in year and budget pressures that cannot be met from within existing budgets, for example costs arising as a result of directed conversions by the Department for Education from Schools to Academies where deficit balances are retained by the Council.

### **Efficiency Reserve**

The Chief Accountant advised the group that the use of the reserve allows the Council to pump prime projects where the main aim is to generate efficiencies in the future. The reserve is also be used to buy investments to deliver future savings.

The panel queried the reasoning for holding separate reserves for funds which are intended to deliver similar outcomes based on their criteria, for example, the development reserve, efficiency reserve and the budget contingency reserve.

There was concern about the risk of a lack of misunderstanding about their use due to the overlapping aims. As a result, the funds may not be used as intended. The panel suggested that in view of the sums involved that it would be useful to review their current and future use to ensure the money is being used as intended and avoid a situation where the funds are not used. The panel suggested that there was scope for simplification of the criteria for each of these funds. The review should consider how the funds have been used in the past and how and when they might be used in future years. The Chief Accountant responded that there is a multi-year review of these reserves which will provide details about how the funds will be used in future years. The Chief Accountant agreed to review the use of these funds as part of the end of year budget process and will look at the current commitments for the transformation reserves in future years. The Chief Accountant added that the Budget Contingency Reserve has a different purpose and is used to deal with in-year financial pressures which is kept separately. The Chief Accountant advised that the review can look at what contributions have been made to these reserves, what they have been used for and what the reserves balance situation will look like in the next few years based on current assessments and commitments.

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**Job Evaluation Reserve**

The Chief Accountant advised the group the purpose of the reserve and the advised that the fund is forecast to be fully used by the end of March 2021.

**Development Reserve**

The Chief Accountant advised the group the purpose of the reserve. The reserve is expected to be fully used by the end of March 2021.

**Enterprise Zone Business Rates Equalisation Reserve**

The Chief Accountant advised the group the purpose of the reserve. There are no plans to use this reserve by the end of March 2021.

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The Chief Accountant advised the group the purpose of the reserve. There are no plans to use this reserve by the end of March 2021. The budget strategy report approved by Cabinet in November 2022 that some of the funds will be used in 2021-2022 to offset the deficit on the Collection Fund brought forward from 2019-2020.

**Treasury Management Equalisation Reserve**

The Chief Accountant advised the group the purpose of the reserve. There are no plans to use this reserve by the end of March 2021.

**Budget Strategy Reserve**

The Chief Accountant advised the group the purpose of the reserve. There are no plans to use this reserve by the end of March 2021.

**Budget Strategy Reserve 2020 -2021**

The Chief Accountant advised the group the purpose of the reserve. The funds will be fully used in accordance with the 2020-2021 Budget approved by Cabinet on 19 February 2020. The funds have been transferred into the 2020-2021 Budget Strategy Reserve.

**Recovery Reserve**

The Chief Accountant advised the group of the purpose of the reserve and it was newly set up last financial year. The Council was able to set up a £3 million which is available to support investment in services following the Covid-19 pandemic. There are no plans to use any of the funds this financial year.

**Our Technology Reserve**

The Chief Accountant advised the group of the purpose of the reserve and explained that it was set up to deal with any issues arising from the introduction of the Agresso system. The system requires updates and upgrades and this reserve has been used to meet this cost.

**Revenues and Benefits Strategy Reserve**

The Chief Accountant advised the group of the purpose of the reserve. It is not currently anticipated that this reserve will be used in 2020-2021. Any forecast use of this reserve will be detailed in the quarterly budget monitoring report to Councillors.

**Election Reserve**

The Chief Accountant advised the group that this was a newly established fund this financial year. As there was a fallow election year in 2020 as a result of the Covid-19 pandemic the funds there was an underspend on electoral services. The funds will be used to cover future election cost pressures.

**Building Resilience Reserve**

The Chief Accountant advised the group the purpose of the reserve. There are no plans to use this reserve by the end of March 2021.

The Chief Accountant made a general comment that use of the reserves below has been reduced by the impact of Covid-19 pandemic in terms of activity.

**Art Gallery Touring Exhibitions Reserve**

The Chief Accountant advised the group that this reserve will not be used this financial year.

**Regeneration Reserve**

The Chief Accountant advised the group the purpose of the reserve. The reserve will be used to support various regeneration projects by the end of March 2021.

**Schools Arts Service Reserve**

The Chief Accountant advised the group that this reserve will not be used this financial year.

**Community Initiatives and Crowdfund Wolves**

The Chief Accountant advised the group the purpose of the reserve. The fund consists of £10,000 for crowdfunding initiatives and will be fully spent by the end of March 2021.

**Appendix 2 - Other Specific Reserves with Specific Criteria by Division**

The Chief Accountant advised the group that the criteria attached to funds listed in this section restricts how they can be used.

**Mary Ellen Bequest – Oxley Training Centre Reserve**

The Council is currently reviewing this fund and its specific purpose.

**Regional Adoption Agency (RAA)**

The Chief Accountant advised the group that the fund is made up of contributions from three other local authorities as part of an agreement. The fund is used to deal with any fluctuations during the year in terms of increasing demand and costs. There are plans to use some of the reserve during this financial year.

**Victoria Square Sinking Fund Reserve**

The Chief Accountant advised the group that there is a plan for an increase of £2000 in the reserve budget during this financial year.

**Magistrates Court Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

**Private Sector Housing – Civil Penalties**

The Chief Accountant advised the group that this reserve fund was set up during the last financial year. The fund holds fines for private sector landlords and there has been agreement for the Council to contribute towards the reserve this financial year.

**Private Sector Housing – Licencing Fees**

The Chief Accountant advised the group that the fund is made up of fines levied on private sector landlords. The Chief Accountant advised the group about the criteria for using the fund and that it was not currently anticipated it would be used in 2020-2021.

**Markets Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

**Licensing Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

**Wholesale Market Sinking Fund**

The group queried if the Markets Reserve and the Wholesale Market Sinking Fund were two distinct reserves. The Chief Accountant confirmed this. The Chief Accountant advised the group the purpose of reserve and that there were no plans to use this fund before the end of March 2021.

**Highway Management Reserve**

The group queried if the reported reduction in the reserves was used as set out in the description and also if the money that has gone into the fund this financial year was



reduced than previous years due to the reduction in the number of car journeys during the pandemic. The Chief Accountant advised the group that funds will be reinvested into transportation projects and highway improvement works in accordance with Section 55 of the Road Traffic Act. The funds are drawn down in accordance with the Act.

### **Funds and Bequests Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

### **Revenue Grants Unapplied (IFRS) Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

### **Mayors Award**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

### **The Education (Penalty Notices) Regulations 2007**

The Chief Accountant advised the group the purpose of reserve and the reasons for levying a charge against parents. There are no plans to use this fund before the end of March 2021. The funds can only be used when specific criteria have been met.

### **PFI Surplus Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

### **Insurance Reserve**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021.

### **Community Safety**

The Chief Accountant advised the group the purpose of reserve. There are no plans to use this fund before the end of March 2021. The funds can only be used in accordance with the award criteria.

### **Public Health**

The Chief Accountant advised the group that this is a ring-fenced award and any unused funds have to go into the reserve fund.

## **Building Control Service Improvements**

The Chief Accountant advised the group about the purpose of ring-fenced reserve. A small amount is expected to be used by end of March 2021.

The working group thanked the Chief Accountant for the report and presentation.

The working group agreed to accept the recommendations of the report.

The panel discussed the appropriateness of reserves and suggested it would be useful to distinguish between those reserves which need to be maintained at a set level or added to over time. The panel requested a report detailing plans for using the reserves for Public Health as an example. The Chief Accountant agreed to discuss the idea further with colleagues and present a paper to a future meeting of the group.

Resolved:

1. The working group agreed to accept the recommendations of the report.
2. The Chief Accountant to present a paper on the appropriateness of reserves held by the Council as detailed in Appendix 1 of the report to a future meeting of the Specific Reserves Working Group.