

Reserves Working Group

Minutes - 8 November 2022

Attendance

Members of the Reserves Working Group

Cllr Jonathan Crofts
Cllr Louise Miles
Cllr Zee Russell (Chair)
Cllr Tersaim Singh
Cllr Udey Singh (Vice-Chair)
Cllr Ellis Turrell

Employees

Claire Nye	Director of Finance
Earl Piggott-Smith	Scrutiny Officer
Alison Shannon	Chief Accountant

Part 1 – items open to the press and public

Item No. *Title*

1 **Welcome and Introductions**

Cllr Zee Russell, Chair, welcomed everyone to the remote meeting of the working group 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.

Earl Piggott-Smith, Scrutiny Officer, confirmed the following members were in attendance:

Cllr Zee Russell
Cllr Udey Singh (Vice-chair)
Cllr Louise Miles
Cllr Ellis Turrell
Cllr Tersaim Singh
Cllr Jonathan Crofts

The following employees were also in attendance:

Alison Shannon (Chief Accountant)
Claire Nye (Director of Finance)
Martin Stevens (Scrutiny Team Leader)

2 **Meeting procedures to be followed**

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

3 **Apologies**

There were no apologies submitted for the meeting.

4 **Declarations of Interest**

There were no declarations of interest recorded.

5 **Review of Earmarked Reserves 2022-2023**

The Chair invited Claire Nye, Director of Finance, to introduce the report before Alison Shannon, Chief Accountant, presented the detailed report to the working group.

The Director of Finance advised the working group that the aim of the report is get the views and comments of members as to the appropriateness and use of earmarked reserves held by the Council.

The Director of Finance advised the working group that the reserves are revenue resources set aside by the Council in previous financial years to fund specific items of expenditure in the future. The timing and certainty of this future expenditure will vary depending on the nature of the related spend. The level of reserves is reviewed for relevance and adequacy at least twice per financial year, as part of the outturn and budget preparation processes.

The Director of Finance advised the working group that reserves play an important role in financial stability of the Council and in helping to mitigate the risk of uncertainty and any potential future expenditure, and to support the delivery of the Council's priorities. The Council is required to always retain a minimum General Fund Balance of £10 million in order that there are sufficient sums available to address the significant budget risks in the future.

The Council's General Fund balance is £13.7 million, approximately 5% of the net budget for 2022-2023, and is in line with recommended best practice. The Director of Finance explained reasons for recommending holding level of a general reserves balance above the amount set as the minimum in the Council Constitution.

The Director of Finance advised the working group about benchmarking work and the information provided by CIPFA but advised that the information was outdated and difficult to compare to previous years, due the impact of Covid 19 related Government grant funding during this period. However, benchmarking work done to compare the level of Council reserves to those of neighbouring authorities who have a similar level of risk indicated that the level of reserves was at the lower end.

The Director of Finance commented on the importance of maintaining the current level of reserves and that each authority will take a different view about what to set aside for their general balance reserves.

The Director of Finance advised the working group that school balance figures are held on behalf of schools and general reserve balances are presented for information only and are not within the scope of this report.

The reserves detailed in Appendix 2 are also provided for information as there specific criteria which restricts their use.

The Director Finance invited members questions about the general reserve balances before inviting the Chief Accountant to the give a detailed presentation on the earmarked reserves by directorate as outlined in Appendix 1 for the working group to comment and to make recommendations.

The working group queried the calculation of the total General Balances figure of £20.7 million. The Chief Accountant reassured the group and advised that this amount includes £13.7 million for the General Fund and £7 million for Housing Revenue Account (HRA). The HRA general balance can only be used to fund expenditure against the HRA budget.

The working group queried the possibility of using the reserves to meeting current spending needs and whether the minimum reserve balance figure could be reduced below the £10 million minimum referred to earlier and then increased in future years.

The Director of Finance commented that the reserves are held to respond to a crisis or unexpected event and if the funding was used it would be expected to be topped back to the level of minimum balance figure as soon as possible. The Director of Finance added that the level of minimum reserves is reviewed annually and was considered to set at the appropriate level given the level of risks.

The Director of Finance invited the Chief Accountant to present the rest of report.

The Chief Accountant advised that there is a brief description of each of the earmarked reserves detailed in Appendix 1, showing the balance as of 1 April 2022, the forecast balance expected as of 31 March 2023, and details of any commitments in future years.

The Chief Accountant agreed to give the working group an overview of the background and use of earmarked reserves during the year.

The following is a summary of comments from the group about information detailed in Appendix 1.

Adult Services Transformation Reserve

The working group suggested that the Cabinet Member for Adults attend a future meeting to comment on the challenges facing the service as there was concern about the growth in demand for adult services. The working group also requested details of the Cabinet Member portfolio remit.

The Chief Accountant commented that a reserve was put into place to respond to the demands on the Adult Social Care Transformation programme and to manage increasing levels of demand on the service. The Chief Accountant added that the Adults Social Care Reserve for Growth and Demand Pressures that was presented to Cabinet in October 2022 for approval and it is forecast that the funds will be fully allocated in 2023-2024 to offset an existing savings target already built into the Medium-Term Financial Strategy. The Chief Accountant advised the working group that in response to the situation across adult social care it was also not considered appropriate that a budget savings target be set for the directorate.

The working group discussed how to proceed with the matter.

The Scrutiny Officer advised the panel that the Fulfilled Adult Lives Panel considered at a previous meeting the implementation of the Adult Services Transformation programme and suggested that the planned update to the panel in January 2023 by Director of Adult Services on progress could be shared with the group.

The Director of Finance added that consideration was being given about whether to increase the level of reserves for this area, considering the risks and challenges to adult social care service and future pressures.

Safeguarding Partnership Board

The working group welcomed the use of the reserve to help manage cost pressures on this important service during the year.

Transformation Reserve / Budget Contingency Reserve

The working group queried the link between the Transformation Reserve and the Budget Contingency Reserve and criteria for their use in response to cost pressures.

The working group requested a breakdown of the expenditure against this reserve.

The Chief Accountant agreed to provide the information requested.

The working group queried the process for a service wanting to use the Budget Contingency Reserve.

The Director of Finance advised that Cabinet have delegated authority on the use of the reserves and a decision would be made in consultation with the Director to enable a decision to be made quickly about expenditure. The Director outlined the process when a request for funding from the reserve is received and advised the panel that the expenditure was monitored as part of the budget monitoring processes.

The working group queried the general approach of the Council to the level of reserves, particularly those reserves in the appendix where there no plans for them to be used during the financial year and suggested they could instead be released, either fully or partly, to fund the delivery of current services.

The Director explained the reasons for maintaining the level of reserves and commented on the need for the Council to be able respond to in year budget pressures and the economic impact of managing future uncertainties. The Director commented that the level of reserve is felt to be prudent in such circumstances.

The working group discussed the level of reserves.

Community Initiatives

The working group expressed concern about the reserves not been used and suggested that local community groups should be supported in preparing bids to grant funding, for example and encouraged to submit bids.

Revenue and Benefits Strategy Reserve

The working group discussed the cost-of-living crisis and the need to support residents. The Director of Finance commented that the reserve is used to manage fluctuations of income in revenues and benefits service. The Director commented that the Council is mindful of the impact on businesses and their residents on their ability to pay. The Director reassured the working group that there are sufficient reserves to manage the financial risks going forward.

Homelessness

The working group discussed the work of Council and the pressures on the demand for temporary accommodation. The Chief Accountant commented on the medium to long term plans for using the reserve and if it could be used in the current year to help reduce pressure on the service. The working group commented on the quality of the work provided by members of the Housing Homelessness Service.

The working group discussed the share of responsibilities between the Council and Wolverhampton Council.

The Director of Finance outlined the responsibilities of the two organisations to the working group.

Regeneration Reserve

The working group queried details of the projects funded by the reserve during the year. The Chief Accountant added that a report detailing a breakdown of the expenditure was presented recently to Cabinet and advised that details of the expenditure will be shared with the working group.

Appendix 2 - PFI surplus reserve

The working group queried the expenditure of the reserve. The Chief Accountant advised the panel that if there is any income more than expenditure the Council is required to put the funds into a reserve that does not benefit it from.

The working group thanked the presenters for the report.

Resolved:

1. The working group comments on the appropriateness of the earmarked reserves that are held by the Council to be noted and considered as appropriate.
2. The working group endorse the report recommendation to Cabinet that any reserves no longer required for their original purpose should be transferred to the Council's Corporate Reserves as appropriate.
3. The Director of Finance to provide the supporting information requested by the working group.
4. A draft of the working minutes 8 November 2022 be presented to the Resources and Equality Scrutiny Panel meeting on 19 December 2022 for consideration and approval.