

REVIEW OF EARMARKED RESERVES

REPORT OF: Director, Resources and Organisational Development
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Wards Affected: All
Key Decision: Yes
Report to: Cabinet
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Purpose of Report

1. To outline the proposals following a review of the earmarked reserves to ensure they continue to support the council effectively.

Summary

2. A diligent review of the earmarked reserves has been undertaken which overall sees a contribution back to the general reserve of £271k.
3. **Cabinet are recommended to:**
 - (i) **Agree the release of earmarked reserves of £471k to the General Reserve;**
 - (ii) **Agree to top up the Burgess Hill Growth Reserve by £200k from the General Reserve.**
 - (iii) **Agree to combine the following reserves; the Management Restructure Reserve the JE (Job Evaluation) Reserve and the Efficiency Reserve.**
 - (iv) **To rename this reserve the Organisational Development and Efficiency Reserve**

Background

4. Reserves play an important role in the ongoing sustainability and robustness of the council's finances. It is crucial to bear in mind that the reserves are the only source of financing to which the Council has access to fund risks and one-off pressures as well as investments to deliver place based improvements and to facilitate efficient and effective business transformation over a number of years. If the council minimises the level of reserves too significantly there is a risk that in the future, the ability to properly manage unforeseen or one off costs will be significantly hampered. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight is limited.
5. Reserves are a key element of the Council's financial management arrangements and can be broadly categorised as follows:

General Reserve - a working balance to manage in-year risks if they cannot be managed via other mitigations. It is best practice for a well-run authority to hold such a balance to assist in delivering services in-year and over a longer period. This reserve also includes reserve set aside for the Capital Programme.

Earmarked Reserves - funds that are held to meet known or anticipated future one-off requirements, facilitating transformation and the management and mitigation of future anticipated financial risk and uncertainty.

Capital Receipts Reserve – receipts from the sale of assets that are available to finance future capital expenditure.

6. In the ongoing uncertain financial and economic climate some councils have been close to collapse as they have grappled with the challenge of delivering services within a difficult financial landscape, combined with the considerable costs and pressures presented by high inflation and a cost-of-living crisis. That uncertainty is brought into sharp focus given the lack of clarity about what funding will be provided for councils in future years. It is essential that we maintain sufficient reserves to weather this period of uncertainty. It therefore continues to be a priority to, where possible, bolster reserves while also using them to support the development of efficient services that safeguard the councils' services for the future.
7. A diligent and detailed review has therefore been undertaken of the authorities reserves to ensure that they continue to support the authority. The following paragraphs detail the proposed updates.

Review to release earmarked reserves

8. A review of current earmarked reserves has been undertaken and £471k of reserves have been identified that can be released back to the general reserve. This has highlighted areas where spend can be more accurately forecast or has completed, thus liberating reserves from these specific areas. This includes reductions in the size of the Development Plan and Neighbourhood Planning reserves, the closure of the ICT reserve and a number of other small reserves reductions. This will help top up unearmarked funding where it has previously been depleted, in particularly in recent years as a result of the pandemic, and increase support for council priorities. A list of reserves that have been identified as available to release are provided below.

Reserve Released	£
Neighbourhood Planning Non Frontrunners	50,000.00
Development Plan Reserve (Studies and EIP costs)	250,000.00
CPO Fund for Empty Homes	10,000.00
Martlets Temporary Urban Park	70,000.00
Asset Maintenance and Landscapes	7,763.08
Planned Asset maintenance Specific Reserve	21,268.76
Choice Based Lettings Scheme SR	11,920.17
ICT reserve	8,019.13
Land Charges Development*	23,100.00
LA EU Exit Preparation	18,515.00
	470,586.14

Burgess Hill Growth Reserve

9. A bid has been submitted to the Levelling Up Fund 2 (LUF) as part of a wider package of proposals in order to help unlock the Burgess Hill Town Centre development. The outcome of this bid is awaited but is expected imminently. Should it be successful, work on the delivery of the first phase of the scheme will need to commence immediately.
10. In the meantime, work is ongoing with NRR to develop a strategy, in the event that the LUF bid is not successful, to unlock the first phase of the development.

11. In order to take this project forward at pace, the Council will need to procure the services of a range of specialist external advisors, at an estimated cost of £200k; including:

- External Real Estate advice
- External legal advice
- Specialist consultancy advice on parking matters

Merging Reserves to facilitate business change and organisational development

12. The Job Evaluation (JE) Reserve, Efficiency Reserve and the Management Restructure reserve (previously Redundancy Specific Reserve) have always been closely linked. While the management Restructure is nearly complete a review of staffing structures continues, alongside the need to modernise and create efficiencies where possible. The JE reserve is created by the need to provide for a structural budget provision once the job evaluation is completed, a programme which will begin in 2023. Once the JE is completed, services will require their budgets to be uplifted, this base provision ensures there the limit or elimination of any consequent pressure. The Efficiency Reserve enables one off costs to be supported in delivering business change and organisational development. It is therefore proposed that the three reserves are merged and aligned more to their original purpose and named Organisational Development and Efficiency Reserve

13. This reserve would then also be used, as originally intended, for the one off costs of the JE and broader restructure, and the delivery of business change including consultancy fees and redundancy.

14. Appendix 1 summarises the proposed changes to reserves; noting that the current reserves position is at a point in time and will change with use.

Policy Context

15. Reserves are maintained in accordance with the Code of practice on Local Authority Accounting in the United Kingdom.

Financial Implications

16. The financial implications are detailed within the body of the report.

Risk Management Implications

17. There are no implications as a direct consequence of this report

Equality and Customer Service Implications

18. There are no implications as a direct consequence of this report.

Other Material Implications

19. There are no further implications as a direct consequence of this report.

Sustainability Implications

20. There are no implications as a direct consequence of this report.

Background Papers

None

Appendix 1

Review of Reserves 2022/23					
Specific Reserve	31/03/2022 Opening Balance	Approved (Contributions)	Proposed (Contributions) Draws	Used to date (does not include full year revenue transactions)	31/03/2023 Estimated Closing Balance
	£	£	£	£	£
SA01 - Development Management	(10,047.00)				(10,047.00)
SA02 - Planning Policy	(2,106,344.60)	(320,000.00)	300,000.00		(2,126,344.60)
SA03 - Housing Enabling	(89,298.70)		10,000.00		(79,298.70)
SA04 - Economic Development & Sustainability	(464,910.04)		(200,000.00)		(664,910.04)
SA06 - Environmental Health	(26,981.47)	(5,200.00)			(32,181.47)
SA07 - Community Services	(113,066.50)				(113,066.50)
SA08 - Partnerships					
SA10 - Cleansing Services	(28,322.87)				(28,322.87)
SA11 - Landscapes and Leisure	(218,857.32)	(100,000.00)	70,000.00		(248,857.32)
SA12 - Parking Services	(17,252.75)				(17,252.75)
SA15 - Facilities	(124,783.84)		29,031.84		(95,752.00)
SA16 - Estates	(5,115,821.16)				(5,115,821.16)
SA17 - Building Control					
SA18 - Revenues & Benefits	(738,703.60)	(465,638.60)		87,999.60	(1,116,342.60)
SA19 - Housing Needs	(758,290.27)	(134,963.00)	11,920.17		(881,333.10)
SA20 - Customer Services					
SA21 - Digital & Technology	(46,524.55)		8,019.13		(38,505.42)
SA22 - Democratic Services	(132,794.03)				(132,794.03)
SA23 - Legal Services					
SA24 - Land Charges	(23,100.00)		23,100.00		
SA25 - Finance Accountancy	(12,000.00)				(12,000.00)
SA28 - Planning and Building Control Support					
SA29 - PMO & Service Redesign					
SA32 - Human Resources & Organisational Development					
SA34 - Communications, PR & Community Engagemen	(233,992.78)	(150,000.00)			(383,992.78)
SA38 - Corporate Funds	(10,771,260.13)		18,515.00	6,245,265.00	(4,507,480.13)
<i>JE Reserve</i>	(565,152.86)	(532,000.00)			
<i>Management Restructure</i>	(161,381.79)				(1,611,022.75)
<i>Efficiency Reserve</i>	(352,488.10)				
<i>other finance corporate reserves</i>	(221,711.61)				(221,711.61)
SA39 - Total Finance Corporate	(1,300,734.36)	(532,000.00)			(1,832,734.36)
SA40 - Strategic Core					
Total Specific Reserves	(22,333,085.97)	(1,707,801.60)	270,586.14	6,333,264.60	(17,437,036.83)
General Reserve	31/03/2022	Contributions		Used	31/03/2023
	£	£		£	£
Unallocated Balance	(5,414,689.44)	(2,455,655.00)	(270,586.14)	1,473,000.00	(6,667,930.58)
Allocated Balance	(3,970,301.96)				(3,970,301.96)
sub total	(9,384,991.40)	(2,455,655.00)	(270,586.14)	1,473,000.00	(10,638,232.54)
Total General Reserves	(9,384,991.40)	(2,455,655.00)	(270,586.14)	1,473,000.00	(10,638,232.54)