

Report to:	Cabinet Council	Date of Meeting:	15 February 2018 1 March 2018
Subject:	Robustness of the 2018/19 Budget Estimates and the Adequacy of Reserves – Local Government Act 2003 - Section 25		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To comply with statute, the Chief Financial Officer is required to report to Council prior to the approval of the budget and the setting of the Council Tax, to give assurance that the budget is robust and that there are adequate reserves and balances. The report is based on the proposals presented to Council at this meeting.

Recommendation(s):

The Local Government Act 2003, (section 25 as amended) requires the Chief Financial Officer to report formally on the following issues:

- a) An opinion as to the robustness of the estimate made and the tax setting calculations
- b) The adequacy of the proposed financial reserves
- c) The production of longer term revenue and capital plans

The Council is requested to have regard to the matters raised in this report during the final stages of determining the budget for 2018/19.

Reasons for the Recommendation(s):

The Local Government Act 2003, (section 25 as amended) requires the Chief Financial Officer to report formally on the issues contained within this report.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

Decisions taken as a consequence of this report will influence the Council's Revenue Budget and Council Tax for 2018/19 and thereby shape the Council's financial plan for future years.

(B) Capital Costs

None

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: The Council is required to set a Budget and Council Tax level by 10 March 2018 and must consider the comments of the Chief Financial Officer before that decision is taken.
Equality Implications: None

Contribution to the Council's Core Purpose: A sustainable revenue and capital budget will enable the delivery of the Councils core purpose as set out below

Protect the most vulnerable
Facilitate confident and resilient communities:
Commission, broker and provide core services:
Place – leadership and influencer:
Drivers of change and reform:
Facilitate sustainable economic prosperity:
Greater income for social investment:
Cleaner Greener:

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources is the author of the report (FD 4981/18).

Head of Regulation & Compliance has been consulted and her comments are incorporated in the report (LD 4266/18).

(B) External Consultations

None

Implementation Date for the Decision

Following the Budget Council Meeting.

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Appendices:

None

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1 This report has been prepared in accordance with the statutory requirements of the Local Government Act 2003 which requires the Authority to report to Members on the robustness of budget estimates and the adequacy of proposed reserves.

2. ROBUSTNESS OF BUDGET ESTIMATES

- 2.1 When preparing the budget for 2018/19 and the second year of the current Budget Plan, the Council's Strategic Leadership Board have led and been fully engaged in the process and have been challenged to ensure that services can be delivered within available funding and that estimates of expenditure and income are realistic. As a result the Strategic Leadership Board has confirmed that the proposals made within this budget package both from the Public Sector Reform projects and service options are deliverable.
- 2.2 The proposed budget, due to the scale of the funding gap faced by the Council, has been prepared with careful consideration and full acknowledgement of the risk and uncertainty around both the proposals made and existing pressures faced by the Council. As this risk cannot be fully mitigated eg as a result of the demand pressure facing both Adults and Children's Social Care budgets, it is important that these proposals are considered alongside the level of reserves held.
- 2.3 In order to provide assurance that the Council's budget estimates are robust and that the Council is adequately protected as far as possible against unbudgeted financial pressures and the impact on Council Taxpayers is minimised, a number of factors are considered as part of the budget planning process.
- 2.4 As Members will be aware, the financial challenge facing local government and Sefton in particular from a financial point of view is significant. The Council identified as early as 2016, that it would face a shortfall of £64m in the next 3 years and would need a genuinely transformational approach in order to continue to meet its core purpose that arose from the Sefton 2030 vision within the resources available.
- 2.5 Within the first year of this 3 year budget, it is anticipated that a balanced budget will be delivered. Due to the complexity of the environment that the council works in however, this position has had to be managed pro-actively by both officers and members in year to reach a forecast outturn position that supports it's ongoing financial health.
- 2.6 The funding gap facing the Council in 2018/19 again presents a challenge to the organisation. The savings that are designed to meet the gap have been signed off by the Strategic Leadership Board but due to the value and scale of these, the monitoring of implementation, delivery and impact will again be a key feature of the in-year financial monitoring. Any changes to these savings in addition to an increase in demand led pressure within the budget or variations to budget estimates derived from levies, the Liverpool City Region or national government will also require careful and proactive financial management. These issues continue to place real risk on the Council, a large element of which cannot be mitigated or managed at this stage.

- 2.7 As a result of these issues, the Council will need to continue to place financial management at the heart of its activity in the next year, be robust in its financial monitoring and be prepared to take corrective action at short notice, that may involve policy decisions in order that financial sustainability can be maintained. Such an approach will require both officers and members to have the capacity to support the delivery of the Framework for Change and the evaluation of its impact from a financial point of view. Again due to the limited resources within local government and this Council, this will require careful management and prioritisation where appropriate to manage the risks that the Council is exposed to.
- 2.8 The Council since the current austerity programme commenced in 2010 has a good track record of delivering balanced budgets. It has also benefited from taking a more medium term view of financial planning in setting 2 and 3 year budgets that are aligned to Medium Term Financial Plans. The management of the severity of the current financial position and its inherent risk will be a key feature as the Councils views the period from 2020/21 onwards ie beyond the period of this 3 year budget. Initial estimates indicate that a budget shortfall in excess of £13m will need to be met in 2020/21 should current national policy be maintained. This places greater importance on ensuring that in year financial sustainability is maintained as any residual sum from this 3 year budget will be added to this sum, thus increasing the challenge to the Council. As a result the following factors have been built into the assessing the robustness of the 2018/19 estimates.

Factors to be Considered

Four year settlement and increased reliance on local funding estimates

- 2.9 The financial settlement received for 2017/18 provided details of the funding levels to be received by the Council in 2017/18 and the subsequent two financial years including 2018/19. These levels reflected the decision of the Council to accept central government's offer of a four year financial settlement (2016/17 to 2019/20).
- 2.10 Whilst this certainty has been welcomed with over 95% of councils accepting the multi-year settlement, there are significant changes proposed to local government funding during the remaining period of the Council's Medium Term Financial Plan which will require careful monitoring and engagement. These include potential changes to the Business Rates Retention Scheme, changes to the funding of Schools, and the impact of funding changes associated with Adult Social Care, namely the Improved Better Care Fund and the Adult Social Care Council Tax Levy.
- 2.11 The future years funding estimates in relation to these issues will be kept under review and refined accordingly as details become available. In respect of the 2018/19 budget, estimates are based upon confirmed funding due or latest detailed estimates e.g. council tax receipts.
- 2.12 As was reported last year, the Council is cognisant that its future funding is now more closely aligned to the generation of local income as opposed to central government support than would historically have been the case.
- 2.13 The budget proposed therefore further acknowledges not only the need to reform current service delivery and make savings in a number of areas, but also that the

future financial sustainability of the Council will need to be supported through the drive to deliver economic growth and develop additional and increased income streams. The current expenditure plans within this budget rely on sustaining existing levels of economic activity with growth in properties subject to Council Tax and business rates income.

Maintaining Service Delivery

- 2.14 The scale of the budget reductions that face the Council up until 2019/20 are severe and have required a transformational approach to ensure that the Council's core purpose that was derived from the Sefton 2030 vision can be delivered. This is clearly reflected in the budget proposals agreed in March 2017 and which have been updated as part of the 2018/19 budget setting process. This includes projects within the Public Sector Reform programme and the Strategic Investment / Economic Growth workstreams.
- 2.15 Whilst there will be an impact on the level of service that the Council is able to provide, all proposed changes continue to be subject to careful consideration, impact assessment and consultation before implementation. Such an approach has been utilised extensively in the first year of the budget plan and will continue into 2018/19 and beyond. As a result, in 2018/19 the principal of phasing the introduction of certain savings where appropriate will continue. From a financial point of view, whilst this approach will require the use of some 'one-off' funding sources to support the budget, the delivery of sustainable savings over the period of this medium term financial plan and beyond will ensure that both service delivery and financial management responsibilities are discharged effectively.

Anticipated New Demand Pressures

- 2.16 The budget setting process continues to take into account the impact of demand for Council services and the financial demands placed upon it from other sources where possible. Demand pressure within Adults and Children's social care continues to present the council with significant risk both operationally and financially. The pressure in Adults Social Care has continued during the last year and whilst the council has been able to utilise the 'one-off' funding afforded by central government and has introduced the Adults Social Care levy, ongoing pressure will continue and will need to be met. Likewise, nationally and regionally the pressure on all councils in respect of Looked after Children is resulting in financial pressure in this area. The council cannot fully support these pressures from existing resources but in 2018/19 is able to alleviate some of the impact by allocating over £3m to these budgets. Whilst this funding will be welcomed, careful in year management and monitoring will be required to ensure that a balanced overall position for the council can be delivered and any further cost increases, e.g. in respect of provider fees, this will need to be met from existing resources and/or compensating savings/ income will need to be identified. This represents one of the most significant budget risks to the council as the materiality involved is difficult to alleviate with tactical decisions.
- 2.17 In addition to the direct demand pressure that can be experienced the council is also exposed to pressure from outside organisations that has a direct impact upon

its general fund budget. This is particularly pertinent in respect of the Transport and Waste levies that are payable. These have both risen significantly for 2018/19 when compared to the MTFP assumptions and previous years levels. As such the council has had to fund these pressures and will need to work with the respective bodies from an early stage in order to inform the 2019/20 position.

Resources to Deliver Change

- 2.18 The approach to the current three year budget package is transformational in nature and different to the approach taken by the Council in previous years as it has sought to meet its financial challenges. In order to deliver this, the shape of the Council and the approach to service delivery will change significantly in a number of areas. Within the 3 year budget package, provision was made to enable the delivery of a number of projects. This work has commenced and investment in infrastructure to support front line services, investment in ICT and specialist advice and support has been made and will continue to be required not only in 2018/19 but also in the period beyond the current Medium Term Financial Plan. This funding continues to be held centrally and bids will be evaluated on a case by case basis by the Chief Executive and the Leader of the Council in order to determine allocation. Similarly due to the transformational nature of proposals, the resource requirement from both members and senior officers will be key to successful delivery. Enabling sufficient capacity to the delivery of projects within the Framework for Change will be crucial.

Inflation and Annual Cost Increases

- 2.19 The Council, as in previous years, has provision for specific allocations to provide funding for contractual and other inflationary pressures such as annual pay increases. This reflects the latest information available having conducted a Council wide review of existing contracts and the likely impact of future pay negotiations. Within this budget package however there continues to be no provision for price inflation. Due to the severity of the financial challenge facing the Council over the next two years, services will be required to manage any such pressure within their existing cash limits. The council had previously budgeted for pay inflation of 1% in both 2018/19 and 2019/20 to reflect central government policy. This was also a key consideration in accepting the 4 year settlement. It has been indicated the pay award in the next 2 years will be 2.7% and 2.8% respectively. This additional pressure will be met from additional income within the budget.

Impact of Previous Years' Budget

- 2.20 Throughout this budget process, Heads of Service have been engaged to understand the impact of any budget pressures that could impact upon the 2018/19 to 2019/20 budget plan from the 2017/18 budget. As a result of this work, it is estimated that existing pressure within Children Social Care and Localities (provision) will be met from corresponding underspends within other services. Heads of Service in addition to this have been advised to re-align existing budgets within services as required to ensure that continued effective budget management can be discharged in 2018/19.

Financial Management

- 2.21 The Council has an embedded process with regard to its Financial Management and its reporting strategy reflects the monitoring undertaken by the Strategic Leadership Board, budget holders and the central Finance team. Monthly reports are considered by Departmental Management Teams, Strategic Leadership Board and Cabinet. Overview and Scrutiny Committee also have a standing agenda item in respect of capital and revenue monitoring.
- 2.22 It has been stated both within this extract and also the wider budget report that the budget estimates contained for the Council over this Budget Plan period reflect the Council's ambition to deliver services that align with its 2030 vision, core purpose and ensure that it remains financially sustainable.
- 2.23 In order to manage the delivery of these objectives and the different risks that are presented when compared to previous years, the Strategic Leadership Board and Members will need to monitor progress and delivery of each proposal and instigate remedial action where issues are identified. The Council, despite having to address budget shortfalls since 2010 of £233m, has a strong track record of delivering savings, however due to the funding gap that continues to be faced and the transformational activity proposed; this monitoring will be of even greater importance.

Management of Risk

- 2.24 The Council manages risk on an ongoing basis at all levels of the organisation. In doing so it has developed policies, processes and systems that reflect its internal governance arrangements and the constitution. As far as possible this allows the Council to anticipate risks as they emerge. These processes are supported by the Council's Internal Audit and Risk Section, the annual review of Corporate Governance and the completion of the Annual Governance Statement.
- 2.25 Given these controls and processes, the likelihood of unanticipated budget issues has been reduced as far as possible, however due to the continual issues presented in respect of the demand led services (particularly Adults and Children's Social Care) and the changes in local government finance these cannot be mitigated in full and will need to be managed robustly. Depending upon the materiality involved, should any issues arise, alternative savings will need to be identified.
- 2.26 In order to reflect these demand pressures. the significant level of savings that are required to be delivered in 2018/19, and the inherent risk within the budget, it is proposed that a comprehensive mid- year review be completed in order for members and officers to gain assurance on progress of savings deliverability and visibility of any other emerging issues. This will be conducted as at end of July 2018 in order that any remedial action can be undertaken in order to support financial sustainability.

Capital Strategy and Strategic Investment

- 2.27 As part of the reform process of local government finance, the Council now receives a modest level of capital grant to support investment. This budget provides for the utilisation of this funding in 2018/19 and an indicative plan for 2019/20.
- 2.28 The Council as stated previously has identified that its economic growth and strategic investment workstreams are key to supporting its 2030 vision and core purpose in addition to financial sustainability. With the reduction in capital resources that are available from central government, the council will continue to explore opportunities and methods to generate funding to support these activities over the next 3-5 years. This approach is reflected in the budget report. Where a proposal to generate an income stream can be generated, the use of prudential borrowing will be considered and in addition the use of capital receipts from PSR8-asset maximisation will be a key feature of the investment strategy.
- 2.29 The Council through its Treasury Management Strategy uses a range of prudential indicators to manage and control the impact of these capital investment decisions. This will ensure that the risk and debt profile of the Council is appropriate based upon its financial standing and performance and that repayment is affordable.

External Advice

- 2.30 The Council is supported in its financial activities by its External Auditor, Ernst and Young LLP and its Treasury Management Advisors. Any material changes to Council policy, budget decisions or capital investment proposals will be undertaken in consultation with these organisations.

3. RESERVES STRATEGY 2018/19

3.1 The Council holds a range of reserves that it uses and holds for different purposes. This report considers each in turn.

General Fund

3.2 The General Fund Reserve is the Council's primary reserve. It exists to provide the Council with a contingency against unexpected events which could otherwise undermine the Council's sound financial standing. The fund should only be utilised to address short term issues and should not be relied upon to finance ongoing budget deficits. Where it is used in the short term then this should be part of a plan to return it to a long term equilibrium position in the medium term.

3.3 Determining the level of General Fund Reserve forms a key part of the Council's medium term financial strategy and will be informed by an assessment of the risks presented by:

- State of the economy (and its impact on Council costs / funding)
- Knowledge of future changes to the Council's responsibilities
- Specific risks relating to the changes in Council services

3.4 A historical benchmark minimum level that is used by a number of authorities is for the General Fund Reserve to be maintained at between 3-5% of the Council's net budget. This can be considered to be a minimum level of reserves in keeping with the long term background risks the Council shares in common with all other councils. This is referred to as the normal risk accepted. However this rate will not take account of variable factors such as the economic climate, government policy and local factors. Therefore, alongside the normal risk the Council also needs to make an assessment of abnormal risks it may need to fund. These include the following elements.

National Considerations

3.5 **Impact of economic climate on Council costs** - the current climate continues to prove challenging with the potential for business closure, lower than normal income levels and shortage of alternative funding sources from partners. As Council funding is now more dependent on the performance of the local business sector it is more exposed to the consequences of businesses failing or a lack of demand for local facilities.

3.6 **Anticipated reductions in Government funding** – the level of funding that it is anticipated that the Council will receive in 2018/19 and 2019/20 reflects the four year local government finance settlement accepted by the Council. In addition, the Council has been notified of other grant allocations in 2018/19. These funding

levels are included in the Budget Plan. However, the funding allocations for some elements in 2019/20 are indicative or are subject to an ongoing consultation period. These reductions and any future funding changes still represent a risk.

Local Considerations

- 3.7 **Planned changes in service delivery methods / contracts** – The Council continues to review the way in which it delivers services in order to ensure best practice and best value for money for its residents. In addition, the budget proposals involve significant transformational change as to how services are provided. This will result in significant changes to working practices, commissioning relationships and governance arrangements. As these become embedded within the organisation this should reduce the risk to the organisation however there is still a degree of risk that needs to be allowed for.
- 3.8 **Impact of Rising Demand for Services** – The Council continues to face increasing demand for its services due to demographic growth pressures in Adult Social Care and pressures relating to Looked After Children. Investment has been included in the 2018/19 budget but there is still a degree of risk that needs to be allowed for.
- 3.9 **Legal Challenges** – The Council from time to time make decisions (policy and operational) that could be subject to challenge or appeal from affected bodies. It is therefore prudent for the Council to have some capacity to safeguard against such challenges.

Budget Setting Assumptions

- 3.10 **Sensitivity of budget assumptions** - The Council's budgets for 2018/19 are underpinned by a number of assumptions regarding the prevailing rates of inflation, interest earned and cost growth. While these estimates are believed to be prudent some costs are outside the Council's control, particularly in the medium term.
- 3.11 **Significant earmarked reserves** – The Council maintains funding in earmarked reserves. These include reserves for future potential insurance claims and funding that Members have set aside for specific purposes. The presence of these reserves reduces the scale of risk the General Fund has to guard against. It should be noted that these reserves have been set up for specific purposes and as such their use will be in accordance with that approved.

Management / Member Actions

- 3.12 **Clear Corporate / Member messages** - The Council and its senior management have very clear expectations regarding the delivery of a 'balanced budget' and have instigated appropriate monitoring and reporting processes to ensure any emerging pressures are promptly addressed. This reduces the risk to be managed through the General Fund.

3.13 **Three Year Plan developed** – Given the scale of the funding reductions that the Council faces, a three year plan (of which this is the second year) was been developed which will allow it to plan ahead with more certainty and this has helped to ensure that savings plans are identified well in advance of their implementation and short term reactive measures have not been necessary.

3.14 A summary of the adjustments made for the above factors is set out in the table below.

Factors Considered	Risk Impact % of net budget	Impact on General Fund Balances
		£m
Normal Risk Level (lower level)	3.0%	6.1
<u>National Considerations</u>		
Impact of economic climate on Council costs	1.0%	2.0
Anticipated reductions in Government Funding	1.0%	2.0
<u>Local Considerations</u>		
Delivery of planned changes in service delivery methods/contracts	1.5%	3.0
Costs at risk from potential legal challenges	0.5%	1.0
Rising demand for services	1.0%	2.0
<u>Budget Setting Assumptions</u>		
Sensitivity of budget assumptions	1.0%	2.0
Significant earmarked balances	-2.5%	-5.1
<u>Management / Member Actions</u>		
Clear corporate / Member messages	-1.5%	-3.0
Three year plan developed	-1.0%	-2.0
Total Abnormal Risk	1.0%	1.9
Total Risk	4.0%	8.0

3.15 This shows that a risk adjusted assessment of the required level for the General Fund in 2018/19 should be in the region of £8.0m. A range of £1.0m is advised around this figure so a General Fund between £7.0m and £9.0m would be considered prudent. This represents 4% of the net budget.

3.16 The Council started 2017/18 with a General Fund balance of £8.103m. Incorporating the latest projections of expenditure for 2017/18 and the planned use of General Balances it is estimated that the level of the General Fund by 31

March 2018 will be £7.209m. This would be within the assessed prudent range for 2018/19 and the risk assessed level will be kept under constant review.

- 3.17 The level of risk and the associated levels of General Fund balance required to hedge against that risk will be reviewed on an ongoing basis. In the current times of uncertainty, and financial pressures, the S151 officer considers it prudent to maintain reserves at a higher level than might be expected in a more stable economic climate, and to review against the extent of future ambitions and risks during the forthcoming year.

Earmarked Reserves

- 3.18 Unlike the General Fund, earmarked reserves are held for a specific purpose. These purposes may be determined by the Council to coincide with its policy objectives, dictated by statute (e.g. schools funding) or agreed with partners who also contribute to the reserve.

- 3.19 Where the decision to set up a reserve rests with the Council, consideration needs to be given as to the benefits of holding an earmarked balance. The Council holds earmarked reserves separately from its General Fund to meet a number of distinct aims.

- Strategic Reserves - In accordance with policy decisions, funding may be set aside and ringfenced for the benefit of a particular service or project ensuring that there is funding to take the activity forward as planned. This can also include general support to the budget.

- Committed Reserves – Where the Council makes a decision that commits it to incurring additional costs in the future, it can set aside the funding necessary to meet that cost when it arises, ensuring that the costs of current decisions are recognised at the point that decisions are made and do not become a burden on future budgets.

- Uncommitted Reserves – Where the Council is aware of an issue that may incur additional costs in the future, it can set aside the funding necessary to meet that cost if and when it arises, ensuring that the potential costs of these issues do not become a burden on future budgets.

- Restricted Reserves – The Council sometimes receives contributions from partners or has to set aside its own funding in a way that restricts where it can be spent in the future. These reserves can only be used to support eligible expenditure which may be restricted to a particular place, activity or service.

- Temporary Reserves – These are used to phase out timing differences between when the Council (or another body) funds expenditure and when it is incurred.

3.20 The current and anticipated balances on each of these classes of earmarked reserve are shown below.

	April 2017	Anticipated March 2018
	£m	£m
Earmarked Reserves		
- Strategic Reserves	33.414	18.883
- Committed Reserves	13.896	13.896
- Uncommitted Reserves	0.000	0.000
- Restricted Reserves	1.772	1.772
- Temporary Reserves	6.810	6.810
	55.892	41.361
School Earmarked Reserves	3.886	2.386
	59.778	43.747

3.21 The benefits of holding earmarked reserves needs to be weighed against the costs of doing so. Every discretionary earmarked reserve ties up funds that may otherwise be available to fund the core activities of the Council. Each reserve also carries with it an administrative overhead as they will need to be maintained, monitored and reported on.

3.22 Of the 46 existing earmarked reserves, 27 are to be retained over the medium term or beyond. Each of these reserves will be subject to a regular monitoring process to ensure they remain relevant and are achieving their stated objectives. The remaining 19 are expected to have fulfilled their purpose within the planning period and will be closed at that point. Any surplus funding on these reserves on completion of proposed activities will be appropriated to the General Fund or returned to the original funding source.

3.23 At present the budget package for 2018/19 to 2019/20 assumes that £9.2m of reserves will be used to support the delivery of savings over the three years as the Council delivers its Medium Term Financial Plan and financial sustainability. It is planned that £2m of this will be returned to reserves by 2019/20. The use of these reserves is directly attributable to the delivery of long term sustainable savings.

Comparison of all Revenue Reserves

3.24 To confirm the appropriateness of the level of revenue reserves held (combining General Fund and Earmarked Reserves) they have been benchmarked against other similar Local Authorities. These comparisons are shown relative to the net budget of each Council to remove the effect of the different sizes of each body.

3.25 The latest available information for other councils reflects March 2017 balances. It can be seen from the analysis that the Council's reserves coverage has been similar to that of its comparator group in the last three years. Levels are currently marginally below the average. Whilst each authority's assessment of risk will vary, the benchmarking process provides a broad indication that levels are

adequate but not excessive. The general pattern of increases across all councils reflects the greater risks and uncertainties they face given the reductions in future funding levels. This level does reflect that the use of reserves needs to be carefully considered and be aligned to the delivery of financial sustainability

	2012/13	2013/14	2014/15	2015/16	2016/17
Comparator Average %	30.5%	31.8%	33.4%	34.6%	34.4%
Sefton %	22.0%	27.0%	33.2%	32.7%	32.0%

Capital Reserves

Capital Receipts Reserve

- 3.26 The Council retains a capital receipts reserve to finance future capital expenditure. This reserve is financed by capital receipts set aside on the disposal of land, buildings and other assets as well as amounts received from One Vision Housing relating to the Council's share of Right to Buy receipts.
- 3.27 The nature of this reserve determines that the balance will vary with the timing of the receipts and the Council's capital schemes that the receipts are being used to fund. The balance at the end of 2016/17 was **£7.124m**.

Unapplied Capital Grants and Contributions Reserve

- 3.28 The value of this reserve relates to capital grants and contributions received that have yet to be utilised to fund ongoing capital schemes. The balance at the end of 2016/17 was **£8.147m**. This funding will be utilised over the next three years. However, additional grants and contributions will be received that will not be fully utilised in the years they are received so will remain in the Reserve until utilised.

School Reserves

- 3.29 The main element of this reserve is individual carry forward balances of schools' unspent budgets. It is the Council's responsibility to hold these balances and ensure they are ring-fenced for use against school activities. These balances are expected to gradually reduce over this planning period as the schools utilise their accumulated surpluses to support their activities.

4. CONCLUSION

- 4.1 As a result of considering the issues contained within this report, it is the view that the budget proposed is a robust budget package and the opinion provided is in accordance with Section 25 of the Local Government Act 2003.