



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	31 MARCH 2016
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	RESERVES
WARDS AFFECTED:	ALL

1.0 PURPOSE OF REPORT

- 1.1 This report provides Members with key information regarding the current reserves position and seeks approval for the use of part of the New Homes Bonus Reserve Balance.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that:

- (i) Members note the current position of the usable reserves of the Council;
- (ii) Members approve the use of New Homes Bonus (NHB) balances in line with this report.

3.0 REASON FOR RECOMMENDATION

- 3.1 To ensure members are kept informed of the Council's usable reserves position and to ensure that the Council has sufficient funds available to deliver its savings requirement through to 2019/20.

4.0 SIGNIFICANT RISKS

- 4.1 There are no significant risks in receiving this report.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 This report is in line with existing policies. No further consultation has taken place on the content of this report.

REPORT

6.0 REPORT DETAILS

Current Reserves Position

- 6.1 The table below highlights the current balance within each of the Councils usable revenue reserves and describes their purpose, the table also highlights the forecast movements on each reserve to the end of 2016/17.

Reserve	Balance 1/4/15 £000	Forecast 15/16 Transfer In £000	Forecast 15/16 Transfer Out £000	Forecast Balance 1/4/16 £000	Estimated 16/17 Transfer In £000	Forecast 16/17 Transfer Out £000	Recommended NHB Transfer £000	Estimated Balance 1/4/17 £000	Purpose
General Reserve	547	0	0	547	0	0	0	547	The General Reserve receives or contributes to differences in the estimated to actual net expenditure on the Revenue Account. It provides a working balance for the day-to-day revenue costs and income and meets any unforeseen liabilities not provided elsewhere in the accounts. The policy of this Council is to maintain a General reserve balance at a minimum of 5% of Net Revenue Budget.
Capital Fund	1,413	745	-823	1,335	323	-745	0	913	The Capital Fund is the reserve that holds the resources from the revenue stream of funding to be applied to the capital programme. The reserve is committed to the capital programme with the exception of a small balance of £238k.
Collection Fund Equalisation Reserve	575	0	-575	0	0	0	0	0	The Collection Fund Equalisation Reserve evens out the financial impact of the new Business Rates Retention Regulations within the Comprehensive Income and Expenditure Account. The reserve is fully committed to fund the Business Rate deficit from 2014/15.
Ryedale Development Fund	185	0	-146	39	0	-37	0	2	The Ryedale Development Fund has been established from the balance of the 2012/13 New Homes Bonus. The fund offers financial assistance to a range of initiatives aimed at supporting the economy and employment within the Ryedale area.
Election Reserve	58	20	-57	21	20	0	0	41	An Election Reserve is used to equalise the effect of the four yearly District Election costs.
Grants Reserve	160	0	-160	0	0	0	0	0	The Authority provides grants and loans to voluntary bodies and other organisations to help establish and improve a variety of facilities throughout the District. Grants are also issued to support rural community transport initiatives. If funds made available are not fully utilised during a particular year, the remaining budget provision

									is transferred into this reserve to help off-set expenditure in future years. The reserve is fully committed.
IT Fund	104	7	-12	99	7	-12	0	94	An Information Technology (IT) Fund is used to finance the purchase and renewal of items of computer equipment such as personal computers, printers and associated software.
ICE Fund	620	0	0	620	0	0	400	1020	The Improvement, Contingency & Emergency (ICE) Fund is available for a number of purposes that include meeting the cost of unexpected significant revenue items and initial financial support to achieve efficiency savings.
Local Development Framework Reserve	50	0	0	50	0	-50	0	0	A reserve established to cover the additional cost associated with the delivery of the Local Development Framework.
Operational Reserve	339	4	-4	339	4	-4	0	339	The Operational Reserve allows Service Units to set aside a proportion of savings in their budgets earmarked to be used in later years. It also includes revenue grants with no conditions that have been recognised in the Comprehensive Income and Expenditure Statement and are identified for specific services but not yet applied.
Restructure Reserve	552	50	-200	372	50	-1,200	778	0	The Restructure Reserve was established to cover the costs associated with restructure within the Council.
New Homes Bonus Reserve	446	541+300	0	1,287	1161	0	-1,178	1,270	The balance of New Homes Bonus available after applying amounts to support the revenue and capital budgets. Includes £300k estimated 15/16 budget surplus.
Council Tax Hardship Fund	6	6	0	12	6	0	0	18	
Total	5,055						0		

Significant movements in reserve balances during 2015-16

- 6.2 Other than the routine operational movements to and from reserves, currently the only other significant additional movement in reserves is a drawdown of approx £200k from the restructure reserve towards the costs associated with voluntary redundancy and an amount representing the balance of an award of costs following Judicial Review from the Improvement, Contingency and Emergency (ICE) Fund.

Financial Risks to the Authority

- 6.3 The Business Rate Retention Scheme Regulations came into force on 1st April 2013, the Council now receives a 40% share of Business Rate income but also bears 40% of the cost of any refunds due to successful valuation appeals. There are still a significant amount of business rate valuation appeals outstanding within the Ryedale area including one which has the potential to have a significant financial effect on the Council in its own right.
- 6.4 The Business Rates Retention Scheme includes a safety net threshold, where a council's rates income falls below this threshold the Government will reimburse any loss in income below the threshold. However Councils are required to fund any shortfall in income before reaching the safety net level. The difference between budgeted business rates income and the safety net for this Council is currently £390k.
- 6.5 Members agreed to transfer part of the 2014/15 budget surplus to the ICE Fund when approving the 2014/15 Statement of Accounts in September 2015. The reasoning for this was to ensure that the Council had sufficient reserves to deal with this eventuality, should it occur, and to also retain a sum to provide for any future award of costs against the Council and to retain a further amount to support the cost of change going forward.

New Homes Bonus Reserve

- 6.6 As part of the 2016-17 budget setting process, it was resolved to transfer the remaining balance of New Homes Bonus (NHB) totalling £1.161m into the New Homes Bonus Reserve, this is in addition to the current balance of £0.986m. The budget setting report recommended that *'this balance be ring fenced subject to a further report to this Committee focusing on transformational support.'*
- 6.7 The Government announced its planned deal for Local Government through to 2019/20 in the Final Local Government Finance Settlement on 07 February 2016. The background to this was the Spending Review announced alongside the Chancellor's Autumn statement on 25 November 2015. This indicated that Local Government would again receive the largest funding reductions in comparison to other areas of public expenditure. The four year settlement that was announced, however, was materially worse than had been expected. The current savings requirement is £1.1m for the 3 years starting from 2017/18, this position could worsen depending on the outcome of the NHB consultation. Whilst there has been some short term additional funding because of the rural nature of our area, the long term

picture remains the same. In short, we need to transform the organisation, not for the short term of the council, but for the future of the district.

- 6.8 Officers recommend that £1.178m is transferred from the NHB reserve as follows:
- transfer of £0.778m to the restructure reserve giving a total balance of £1.2m to fund the cost of further redundancies.
 - transfer of £0.400m to the ICE Fund as an invest to save measure to accommodate other organisational costs of change, including IT and transformational support.
- 6.9 These figures are based on Officers prudent estimates of the likely cost of change at this time, should this level of support not be required then a further report will be brought before members to reallocate balances.
- 6.10 The recommendation within this report leaves a forecast balance within the NHB reserve of £1.27m, this includes a transfer in of £300k which represents the forecast budget surplus for 2015/16. The final surplus or deficit for 2015/16 will be dependent on a number of factors which cannot be determined until after the end of the financial year.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
The recommendation will support the change required to deliver the Council's savings requirement through to 2019/20.
 - b) Legal
There are no new legal issues arising out of this report.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
There are no significant issues arising out of this report other than those arising from the delivery of the Towards 2020 Programme.

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Background Papers:None.