

Report to Cabinet

25 July 2019

By Ray Dawe (Cabinet Member for Finance and Assets)

DECISION REQUIRED



Not Exempt

Transformation fund - top up from the 2018/19 budget surplus

Executive Summary

The Council delivered a £828k revenue surplus in 2018/19 after allowing for budgets that carried over to 2019/20 to cover essential expenditure on projects unavoidably delayed.

The Council is currently forecasting a £1.4m surplus budget in 2019/20 and near balanced budgets in 2020/21 through to 2022/23. However, this relies on implementing a range of actions to help deliver further income generation and efficiency measures. This requires further investment in transformational projects.

Setting aside £0.5m in the transformation earmarked reserve for 2019/20 will help transform the Council in the future. £336k remains unspent in the reserve at 31 March 2019; the top up of £144k will effectively funded from the 2018/19 budget surplus.

Recommendations

That the Cabinet is recommended to:

- i) Approve the transfer of £0.144m from the General Fund reserve to the earmarked transformation reserve.
- ii) Delegate to the Chief Executive in consultation with the Leader, the authority to use the transformation fund as appropriate.

Reasons for recommendations

- i) To top up of the earmarked transformation reserve for projects that will help transform the Council in the future; being effectively funded from the 2018/19 budget surplus.

Background papers: 2019/20 budget and MTFs papers from 24 January 2019 Cabinet meeting and 13 February 2019 Council meeting.

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 The transformation earmarked reserve was set up in 2016/17 to help fund business transformation within the Council. Cabinet transferred £0.5m from the 2015/16 and 2016/17 and 2017/18 budget surpluses to the earmarked reserve.
- 1.2 The following amounts have been spent on transformation through the reserve since 2016/17, unlocking opportunities to enable future savings:
 - £387k in 2016/17
 - £518k in 2017/18
 - £239k in 2018/19
- 1.3 £336k remains unspent in the reserve at 31 March 2019 and will be made available in 2019/20.

2 Relevant Council policy

- 2.1 Efficiency: great value services. Continue development and delivery of Business Transformation and deliver a balanced budget over the medium term.

3 Details

- 3.1 The Council holds a number of earmarked reserves. It uses these in year fund spend on the purpose for which they were earmarked. Where the Council receives grants and contributions in year, but does not spend them, the unused portion Cabinet may transfer the money to earmarked reserves for use in future years. The Council can also chose to move funds from the general fund reserve to earmarked reserves to cover future costs.
- 3.2 The movements between the general fund and earmarked reserves are set out in the Appendix. The level of general fund reserves at 31 March 2018 stood at £14.2m and earmarked reserves at £8.8.m. The usable reserves total of £23m at 31 March 2019 compares to £20.9m at 31 March 2018. The receipt of £4.8m of NHB in 2018/19 has contributed to the stability of the reserves.
- 3.3 The Council is currently forecasting a £1.4m budget surplus in 2019/20 and near balanced budgets in 2020/21 through to 2022/23. This relies on officers change the way we do business to deliver further income generation and efficiency measures. This will require further investment.
- 3.3 Projects to facilitate transformation include areas such as ICT to help unlock further digital change and cultural change within the organisation, growing our own staff through development, learning and coaching.
- 3.4 This report proposes Cabinet move £0.144m from the General Fund reserve balance to top up the earmarked transformation reserve to £0.5m for this purpose in 2019/20. This will help transform the Council in the future. The schemes upon which this earmarked transformation reserve will be spent will be authorised by the Chief Executive in consultation with the Leader and then follow normal financial authorisation and budget process procedures. The Appendix contains a snapshot of the transformation fund at 31 March 2019 with anticipated estimated future expenditure.

4 Next steps

- 4.1 Once approved, the Chief Executive in consultation with the Leader will consider the appropriate schemes and authorise expenditure from the transformation fund against these schemes as appropriate.

5 Views of the Policy Development Advisory Group and outcome of consultations

- 5.1 The Finance and Assets Policy Development Advisory Group discussed this proposal on 8 July 2019. Their comments are incorporated in the scheme.

6 Other courses of action considered but rejected

- 6.1 Not spending £0.5m would save the Council £0.5m in one year's expenditure. But it would not unlock savings for future years.
- 6.2 The £0.144m of surplus from 2018/19 would otherwise go into the general reserve and used to fund the deficit that would occur if transformation does not take place at the required rate. This would not be sustainable.

7 Resource consequences

- 7.1 The transformation fund will help deliver the efficiencies and income generation required to balance the budget over the medium term.

8 Legal consequences

- 8.1 There are no legal consequences of this scheme.

9 Risk assessment

- 9.1 Corporate Risk CRR01: Failure to achieve the required level of savings and income in the Medium Term Financial Strategy.

10 Other considerations

- 10.1 There are no consequences of the actions proposed in respect of Crime & Disorder; Human Rights; Equality & Diversity and Sustainability.

Appendix - Earmarked Reserves and the Transformation Fund

Earmarked reserves at 31 March 2019

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

19 USABLE RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

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Useable Revenue Reserves	Balance at 31.03.17 £000	Income / Expenditure 2017/18 £000	Transfer to / from other reserves 2017/18 £000	Balance at 31.03.18 £000	Income / Expenditure 2018/19 £000	Transfer to / from other reserves 2018/19 £000	Balance at 31.03.19 £000
General Fund Balance	(9,480)	(6,278)	4,100	(11,658)	(7,976)	5,405	(14,229)
New Homes Reserve	(4,933)	0	885	(4,048)	0	30	(4,018)
NHB - BBH Leisure Centre	(1,383)	5,001	(5,000)	(1,382)	5,894	(4,827)	(314)
Health and Wellbeing	(177)	0	(20)	(197)	0	(13)	(210)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	0	(278)	0	0	(278)
s106 Reserves	(1,184)	432	0	(752)	0	166	(586)
NNDR Provision	(1,435)	0	0	(1,435)	0	0	(1,435)
Homelessness Prevention	0	0	0	0	0	(82)	(82)
Revenues & Benefits	0	0	0	0	0	(318)	(318)
Transformation fund	(113)	0	19	(94)	0	(261)	(355)
Other	(718)	(84)	16	(786)	0	(100)	(885)
Other Earmarked Reserves	(10,514)	5,350	(4,100)	(9,264)	5,894	(5,405)	(8,774)
Sub-total	(19,994)			(20,923)			(23,003)

