

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">FINANCE, COMMERCIAL REVENUE AND CONTRACTS POLICY AND ACCOUNTABILITY COMMITTEE</p> <p style="text-align: center;">2 JULY 2019</p>	
<p>2018/19 RESERVES OUTTURN REPORT</p>	
<p>Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification - For Information</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara – Strategic Director of Finance & Governance</p>	
<p>Report Author: Emily Hill – Assistant Director, Corporate Finance Andrew Lord – Head of Strategic Planning and Monitoring</p>	<p>Contact Details: Tel: 020 8753 2531 E-mail: Andrew.Lord@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The H&F vision includes being ruthlessly financially efficient. We need to always confirm that spend fits our council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts.
- 1.2. Council reserves are an important element of good financial management. They exist to enable investment in priorities and service transformation or to respond to unexpected events or emerging needs. They are one-off resources, that can only be spent once, and should not be used to fund council services that require recurring budgets.
- 1.3. The Councils' accounts for 2018/19 are closed and subject to an audit. The statutory deadline for closure is 31 May with external audit complete by 31 July. The outcome of the audit will be reported to the July Audit Committee.
- 1.4. £32.7m of General Fund earmarked reserves were utilised in 2018/19 by approved projects, to stand at £62.3m by the year end. The figures

are subject to the audit of the statement of accounts. These include £10.3m in movement due to technical NNDR adjustments, with £5.1m of that being due to timing of NNDR payments that will be repaid in the future. In addition to the reserves the Council holds £3.5m of capital receipts which could be applied to fund Invest to Save schemes in 2019/20 under the provisions for the flexible use of capital receipts.

Table 1 – Movement in 2018/19 reserves and balances

	2018/19 opening balance	In-year movement	2018/19 closing balance
	£m	£m	£m
Earmarked reserves	94.9	-32.7	62.3
General balances	19.0	0.0	19.0
	113.9	-32.7	81.3

- 1.5. The general balance of £19.0m represents 3.3% (equivalent to 12 days spend) of the Council's gross budget of £560m. The Strategic Director, Finance and Governance advised Budget Council that the general balance needed to be maintained within the range of £14m to £20m over the next 3 years to allow for the financial risks identified and support effective medium-term planning.
- 1.6. Following closure of the accounts, officers are now undertaking a review of commitments against reserves with a view to completing a realignment of earmarked reserves and a medium-term forecast. This will be reported to a future Policy and Accountability Committee meeting.

2. RECOMMENDATIONS

- 2.1. To note the 2018/19 outturn reserves position.

3. GENERAL FUND RESERVES OUTTURN

- 3.1. Reserves and balances of £32.7m were utilised in 2018/19.
- 3.2. This includes use of reserves of £5.1m which will be reimbursed in future years due to statutory timing and accounting requirements in respect of business rates within the collection fund.

Table 2 – 2018/19 Movement in reserves and balances

	2018/19 opening balance	In-year movement	2018/19 closing balance
	£m	£m	£m
Earmarked reserves	94.9	-32.7	62.3
General balances	19.0	0.0	19.0
	113.9	-32.7	81.3

3.3. The Council has set aside an earmarked reserve equivalent in value to the DSG deficit which is included in the movement above. Initial modelling indicates that the deficit will increase by a further £4.5m in 2019/20. Earmarked reserves of £32.7m were utilised in 2018/19. This is after £2.0m of Invest to Save costs were funded from capital resources in line with the Government dispensation on the flexible use of capital receipts.

Table 3 – Key movements in 2018/19 earmarked reserves

	£'m
Set aside for DSG reserve	(13.6)
Managed services and Hampshire IBC implementation	(5.2)
Use of NNDR deficit reserve (technical / timing adjustment)	(5.2)
Temporary NNDR accounting adjustment for 2018/19 to be reimbursed in future years (technical / timing adjustment)	(5.1)
Council development costs	(2.0)
Funding of the 2018/19 General Fund overspend	(1.6)
Net reduction in 2018/19 earmarked reserves	(32.7)

3.4. The movement in reserves and balances over recent years is set out in Table 4.

Table 4 - Movement in reserves and balances

	31/3/13	31/3/14	31/3/15	31/3/16	31/3/17	31/3/18	31/3/19
	£'m	£'m	£'m	£'m	£'m	£m	£m
Earmarked reserves	59.0	81.6	89.5	90.0	82.9	95.0	62.3
General balances	18.0	19.0	19.0	19.0	19.0	19.0	19.0
	77.0	100.6	108.5	109.0	101.9	114.0	81.3

3.5. Following the closure of the accounts for 2018/19 to meet the statutory timetable, officers are now undertaking a review of all known commitments and prepare a medium term forecast of the Council's reserves position. The review will include:

- review and challenge of existing agreed commitments against current priorities
- consideration of alternative funding options for agreed commitments to maintain reserves where possible e.g. flexible use of capital receipts.

- 3.6. Once the review has been completed the reserves will be aligned to ensure that they reflect the commitments and priorities resulting from the review. Once this work is completed, the position on the realigned reserves and the medium-term forecast will be reported to a future PAC.

4. CONSULTATION

- 4.1. With Departmental teams and Strategic Leadership Team.

5. EQUALITY IMPLICATIONS

- 5.1. Cabinet is asked to note the outturn for 2018/19. It is not asked to make any decisions nor take any action, hence there are no equality implications arising from this report.
- 5.2. Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

6. LEGAL IMPLICATIONS

- 6.1. There are no legal implications within this report.
- 6.2. Implications verified by: Adesuwa Omoregie, Principal Solicitor, 020 8753 2297.

7. FINANCIAL IMPLICATIONS

- 7.1. This report is of a financial nature and the financial implications are contained within, which is subject to audit review.
- 7.2. Implications completed by: Gary Ironmonger, Finance Manager 0208 753 2109.
- 7.3. Implications verified by: Emily Hill, Assistant Director, Corporate Finance, 020 8753 3145.

8. IMPLICATIONS FOR BUSINESS

- 8.1. There are no direct implications for local businesses.
- 8.2. Implications verified by: Alben Karameros, Economic Development Team, tel. 020 7938 8583

9. COMMERCIAL IMPLICATIONS

- 9.1. There are no immediate commercial implications in this report.
- 9.2. Implications verified by: Joanna Angelides. Tel: 020 7361 2586

10. IT IMPLICATIONS

- 10.1. There are no IT implications contained within this report.
- 10.2. Completed by: Veronica Barella, Chief Information Officer, Tel 200 8753 2927.

11. RISK MANAGEMENT

- 11.1. The Council operates in an increasing risk environment of reduced council funding and austerity measures imposed by national government, increasing financial pressures due to cost inflation and demographic pressures. The Council has monitored this corporate risk though the year and has adopted as one of its key priorities to be ruthlessly financially efficient so as to continue to achieve the best service for our residents from council staff and contractors in line with our corporate risk to meet our communities ongoing needs and expectations. There is a risk that pressures will continue to provide a challenge in 2019/20.
- 11.2. Implications verified by: Michael Sloniowski, Risk Manager 0208 753 2587.

12. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
	None		