

**BELPER TOWN COUNCIL – 14 SEPTEMBER 2020**

**REVIEW OF GENERAL RESERVES FUNDING FOR 2020-21**

**REPORT OF THE RESPONSIBLE FINANCIAL OFFICER**

**1.0 INTRODUCTION**

1.1 Council approved a series of projects following the 2019 elections and set about delivering them immediately, making use of reserves to do so as these projects had not been accounted for in the budget, which is normally set in January each year. In 2020, Council agreed to increase its precept in order to cover *some of the remaining* projects contained in the manifesto *on which the council was elected* (attached as appendix 1).

1.2 At the time of the election, no-one could have predicted the consequences of the Covid-19 pandemic and the lasting effects which would put the town's residents, voluntary groups and businesses under significant pressure. It is not clear how this pandemic will continue or what the future holds and so Council needs to be careful in managing its budgets and maintaining an acceptable level of reserve.

1.3 DALC recommend that an amount of 30-60% of precept should be held as general reserves. This figure is on top of allocated reserves for specific expenditures. Unfortunately, the increase in precept has necessitated an increase in the general reserves figure required to maintain a healthy risk profile. At this point in time there is not enough leeway in the current budget to achieve the numbers required as set out below.

1.3 Current total reserves as at 01/06/2020 = £235,052 (held in savings accounts)

New precept for 2020-21 = £453,160

30% = £135,948

60% = £271,896

1.4 Carried forward earmarked reserves total (from 2019-20) = £172,398. This excludes new reserves created in this financial year's budget as these have been costed into the new precept and so are 'new money' coming in rather than allocation of existing reserves.

Therefore, remaining unallocated general reserves: £62,654

1.5 The acting Chair of the Finance, Staff and Governance Working Party would like Council to consider maintaining a 50% general reserve fund based on the situation being experienced in this current financial year. This would ensure a healthy buffer going forward should there be a problem with income reduction again.

General Reserves deficit based on above figures:

30% - 135,948 - 62,654 = **£73,294**

50% - 226,580 - 62,654 = **£163,926**

**2.0 SAVINGS OPTIONS**

2.1 The Council increased its precept to cover a number of new projects for this financial year.

Due to the current circumstances many of those are delayed or cannot take place due to the social distancing restrictions. However, Councillors are now wishing to set up a 'Belper Bounces Back Fund' which will eat into any savings generated. A proposed total, and how to achieve it, for this fund is set out at paragraph 4.2 below.

- 2.2 The Council could achieve the 30% general reserves position if it did not go ahead with the following projects and events this financial year:

| <b>Project</b>                         | <b>Budgeted cost</b> |
|--|----------------------|
| St Johns 750 <sup>th</sup> anniversary | £5,000               |
| Railway Jitty Signage                  | £5,000               |
| Changing Places Facility               | £13,990              |
| Carbon Plan                            | £3,000               |
| <b>Sub-total</b>                       | <b>£26,990</b>       |
| <b>Events</b>                          |                      |
| Summer Food Festival                   | £3,000               |
| Christmas Food Festival                | £3,000               |
| <b>Sub-total</b>                       | <b>£6,000</b>        |
| <b>Other Savings</b>                   |                      |
| Pod Point Feasibility underspend       | £800                 |
| Miscellaneous grants fund              | £15,000              |
| Contingency fund                       | £5,000               |
| Unity Account surplus                  | £20,000              |
| <b>Sub-total</b>                       | <b>£40,800</b>       |
| <b>Total</b>                           | <b>£73,790</b>       |

- 2.3 This would leave sums of £1,000 for the Tearooms opening event and £6,125 allocated between the Youth Council and the Urban Initiative projects which the Council could choose to proceed with or reallocate for this year, depending on how impacted by the pandemic situation these projects are. During the working party meeting it was suggested that the changing places fund be held back to use on a refurbishment of the existing toilets. However, considering the length of time that it would take to get the quotes and commence works it may well be better to push this proposal into the next financial year.

- 2.5 In addition, the Marketing, Economic Development and Tourism Co-ordinator post was originally budgeted at a cost of £45,000. This has not yet been recruited to and is unlikely to be recruited and started before the end of September leaving a minimum 6 month saving on salary costs. Reducing the costs to account for the budgets that Council set at its last meeting (£5000 for employee to spend on initiatives and £2000 for the website improvements) a minimum total saving of £15,833. This could, of course, be redirected to the general reserves pot to enable one or more of the projects to continue this year.

### **3.0 LONG TERM POSITION**

- 3.1 The Council needs to ensure that it has enough money held in reserves to enable it to continue operating for a period of at least 6 months should there be a problem with receiving its precept payment. Depending on when this problem would occur would determine the exact amount of money to be held. However, the Council pays out a number of Service Level Agreement Grants, usually at the beginning of the year, which front loads most of the Councils expenditure into Quarter 1. Current established costs for Quarter 1 (SLA, staff, plants) are

£195,686. Assuming roughly equal payments for the remainder of the Council’s expenditure and normal other income levels, this would require a sum of £309,661 to be held in reserves (or 68% of the precept). This would suggest that a reasonable level of general reserves to maintain would be 50% of the precept if the Council wishes to achieve a low risk profile.

- 3.2 Council also needs to consider long term saving for vehicle replacement and building maintenance costs. A sum of £5,000 per fund would be a reasonable amount to set aside. Ideally commencing this year considering the thoughts to purchase a hybrid vehicle which costs more than a second-hand diesel and will therefore take longer to save for at this level. A pot of £30,000 is suggested to fund the next vehicle purchase. A sum of £25,000 would seem a reasonable fund to set aside for the building repairs fund.
- 3.3 Currently a sum of £10,000 is earmarked for the refurbishment of the St John’s Kitchen. This could be reallocated to start the funds for the building and vehicle. There are no plans for this re-furb and it is an unnecessary project at this time given the lack of use.
- 3.4 The Working Party considered the length of time within which to build up the general reserves and felt that 2 years was reasonable. In order to achieve this figure and assuming that the above recommendations are approved, the Council would need to include a sum of £45,068 in its budget for the next two years. Of course, this figure will need to increase as the precept increases.
- 3.5 Looking further ahead, Council also needs to consider what it can do to raise income from other sources which can then be used to fund new projects. Whilst, the Council cannot make a ‘profit’ without establishing a commercial venture, there is plenty of cost recovery activity that can be looked at to help fund new schemes. Committees should be encouraged to review options as well as all current fees and charges for existing services.
- 3.6 The Council should also start to make better use of grant funding streams that are available in order to pay for new projects. There are many pots available and this should be a first point of research before new schemes are approved.
- 3.7 In-year budget changes as a result of new project ideas should be avoided unless they can be funded from external sources or a re-prioritisation of budgets (ie cancel or delay an existing budget item) in order to minimise the impact on reserves. Clearly emergencies would have to be dealt with differently.

**4.0 BELPER BOUNCES BACK FUND**

- 4.1 Council has asked for information in order to establish a fund to help groups, organisations and businesses recover from the lockdown requirements resulting from the COVID-19 pandemic.
- 4.2 In order to establish this fund Council will need to decide which projects/events to delay/sacrifice. A number of savings identified above could help to establish this pot as follows:

| <b>Project/Saving</b>                  | <b>Amount</b> |
|--|---------------|
| Mayors Allowance/Civic Service 2019-20 | £1,686        |
| Youth Council                          | £5,000        |
| Urban Initiative                       | £1,125        |

|                                    |                |
|------------------------------------|----------------|
| Additional Grant Contingency (EMR) | £5,000         |
| <b>Total</b>                       | <b>£12,811</b> |

4.3 It was suggested by the Working Party that the £5,000 allocated to the Marketing, Economic Development and Tourism Co-ordinator could be directed to this fund as well and this would increase it to £17,811.

4.4 Council will need to establish a clear policy and guidelines for applicants to the fund to follow.

**5.0 RECOMMENDATIONS**

5.1 That Council agree to set aside additional earmarked reserves for a building fund and a vehicle replacement fund at £5,000 per annum each until the total pots of £25,000 and £30,000, respectively, are accumulated. The current year to be funded by reallocation of the current earmarked reserve for the refurbishment of St John’s kitchen.

5.2 That Council approve the deferral of projects, cancellation of events and reallocation of budgets as outlined in the table at paragraph 2.2.

5.3 That Council approve the setting aside of a minimum of £45,068 per annum from 2021-22 for 2 years to build up the Council’s reserves to 50% of the current precept amount, to be incremented upwards as necessary should the precept increase each year.

5.4 That Council consider which projects and events it wishes to delay or cancel in order to establish the ‘Belper Bounces Back Fund’ and establishes clear criteria for applying to the fund.

5.5 That Council encourage Committees to seek out alternative revenue streams including grant funding sources for future projects.