



To **Scrutiny Board 1**

Date **19th October 2016**

Subject **Reserve Balances**

1. Scrutiny Board 1 have requested information in relation to the Council's reserve balances with the intention of reviewing these within the meeting. Information has been provided at Appendix 1 which shows balances for each individual reserve area over a three year period. These are listed in order of the size of balance in April 2016 (largest first). In addition a brief description has been provided for each balance.
2. The Council's total level of non-schools reserves stood at £69.6m at 31st March. The Council is also required to account for £25.8m of reserve balances that belong to the city's schools (£20m) or are funded from Dedicated Schools Grant and are therefore ring-fenced for schools usage (£5.8m).
3. There are several reserve balances that warrant initial coverage here due to their value.
 - In recent years the Council has implemented programmes of Early Retirement and Voluntary Redundancy to deliver the staffing savings required to balance the budget. A report to Cabinet in November 2015 identified the funding set aside for this purpose to cover future years including reserves of **£12.5m**. This balance was identified and earmarked as part of the 2015/16 Outturn process.
 - A further **£11.8m** of reserves have been held to manage the cash-flow requirements of the financial models for the Council's 3 Private Finance Initiative schemes. These reserves will be used over the 25 year plus lifetimes of the schemes. As part of 2016/17 Budget Setting a decision was taken to utilise £1m per annum for the next ten or so years before then repaying these amounts over the remainder of the schemes' lifetime.
 - Capital receipts (proceeds from the sale of capital assets) were generated in 2015/16 to the value of **£6.7m**. These receipts are in excess of the amount needed to fund the Capital Programme and are therefore available to the Council to apply to newly identified purposes. Proposals will come forward for the use of these resources as part of the forthcoming Budget Setting process.
 - Capital Grant resources of **£5.7m** have been carried forward as reserve balances. These represent income received ahead of the need to spend them. However, the

resources will be required to fund the Council's existing expenditure plans and therefore these resources are committed.

- At the end of 2015/16 the Council received £4.4m in dividends from its shareholding in Birmingham Airport. Proposals are likely to come forward for the use of these resources as part of the forthcoming Budget Setting process.

Paul Jennings

7th October 2016