



request-583307-990fc9c1@whatdotheyknow.com

Dear Mr Smith

Freedom of Information Request 521865

Thank you for your recent follow up request received on 15 June. Your request was actioned under the Freedom of Information Act 2000 in which you requested the following information –

The Local Government Association (LGA) advises that some council reserves 'restricted by local agreement to fund certain types of expenditure can be reconsidered or released if the council's future plans and priorities change' (LGA, A councillor's workbook on local government finance, March, 2018, page 24).

These reserves are sometimes referred to as 'controllable' earmarked reserves (Liverpool City Council, page 82, paragraph 6.4).

I have four questions.

- 1. How much does Liverpool City Council currently hold in 'controllable' earmarked reserves?*
- 2. In principle - i.e. if deemed necessary by councillors - can Liverpool City Council release/reallocate its 'controllable' earmarked reserves and spend them on a once-off basis to support service provision?*
- 3. How much does Liverpool City Council currently hold in 'general' reserves?*
- 4. If deemed necessary by councillors, can Liverpool City Council spend its 'general' reserves on a one-off basis to support service provision?*

Response

- As at 31st March 2019 Liverpool City Council has earmarked reserves totalling £124.278 million. These reserves are to fund future expenditure plans and to mitigate financial risks. Not all earmarked reserves are available for general use by the City Council and a number have been created to satisfy specific statutory and legal provisions. Therefore, not all of these are 'controllable' in the true sense of the word. A total of £49.421 million relates to specific statutory and legally restricted reserves and £7.241 million is already being used to support the 2019/20 budget.

The £49.421 million specific statutory and legally restricted reserves includes £26.851 million relating to grant income that has been received in advance and where the related expenditure has not yet been incurred. The City Council could face legal challenges or future sanctions from funders if the grant income is not spent in accordance with the stipulations outlined in the grant agreement.

It also includes £22.570 million relating to school balances or amounts held on behalf of schools and other organisations, such as the Merseyside Port Health Authority, that are not available for general use by the City Council.

This leaves reserves of £67.616 million relating to specific schemes or risks. The specific scheme reserves (totalling £31.233 million) relate mainly to expenditure and funding commitments that have been re-phased from 2018/19 to 2019/20 and future years. These reserves include adult social care and health reserves where the City Council receives monies from health organisations to fund specific joint projects. These projects span financial years and relate to specific service provision and therefore the funding is required to be carried forward from one financial year to another.

The remaining £36.383 million represents earmarked risk reserves to mitigate the anticipated financial impact of a number of identified risks including the potential clawback of government grant received and potential liability claims that may arise in the future.

2. The earmarked risk reserves are held to mitigate specific risks that have been identified as part of the budget planning and risk management processes. If these earmarked risk reserves were to be spent on a one-off basis to support service provision during the year, then it is likely that they would need to be replenished the following year in order to underpin and support that year's budget. In most cases it is difficult to forecast when these reserves will be needed but they are an essential component of a robust budget. Reallocation of the specific scheme reserves could jeopardise ongoing projects, including joint projects, were significant sums may already have been incurred or committed by the City Council or its partners.
3. As at 31st March 2019 Liverpool City Council has a general reserve, or General Fund Balance, of £16.310 million.
4. The General Fund Balance represents general resources available to the City Council to act as a contingency to help cushion the impact of unexpected events or emergencies. It is available for both capital and revenue purposes. This level of general reserve is deemed appropriate given the size of the City Council's budget and an assessment of potential risks. If the general reserve was spent on a one-off basis to support service provision during the year, then it would need to be replenished the following year in order to underpin and support that year's budget. Under Section 25 of the Local Government Act 2003, the Authority's Chief Finance Officer is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves. Any budget that did not include an appropriate level of general reserves would not be robust.

Further detail on the reserves held by Liverpool City Council as at 31st March 2019 can be obtained from the 'Statement of Accounts 2018/19' which is available on the City Council's website at the link below:

<https://liverpool.gov.uk/council/budgets-and-finance/statement-of-accounts/>

This concludes our response.

The City Council will consider appeals, referrals or complaints in respect of your Freedom of Information Act 2000 and you must submit these in writing to Informationrequests@liverpool.gov.uk within 28 days of receiving your response. The matter

Liverpool City Council Information Team
Cunard Building, Water Street, Liverpool, L3 1AH
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will be dealt with by an officer who was not previously involved with the response and we will look to provide a response within 40 days.

If you remain dissatisfied you may also apply to the Information Commissioner for a decision about whether the request for information has been dealt with in accordance with the Freedom of Information Act 2000. The Information Commissioner's website is www.ico.gov.uk and the postal address and telephone numbers are:- Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF. Telephone: 0303-123-1113. Email –mail@ico.gsi.gov.uk (they advise that their email is not secure)

I trust this information satisfies your enquiry.

Yours sincerely

A Lewis

Angela Lewis
Information Team