



CABINET – 30TH JANUARY 2019

SUBJECT: UPDATE ON RESERVES

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

- 1.1 The attached report, which provided details of the usable reserves held by the Authority and included proposals for the use of reserves in some areas, was considered by the Policy and Resources Scrutiny Committee on 15th January 2019, prior to its presentation to Cabinet.
- 1.2 The Appendix to the attached report provided details of the Authority's usable reserves as at 1st April 2018 of £109.796m, which is £10.8m lower than the level held the previous year. The report also included proposals for the use of Service reserves in respect of the Directorate for Education and Corporate Services, along with a proposed release of reserves across a number of areas for one-off spend. Members were reminded that these reserves can only be used once (typically for capital expenditure and contingent sums for potential unforeseen liabilities) and that it is strongly advisable that these are not used to fill the gaps where savings are required in respect of MTFP proposals.
- 1.3 Members noted the balance position on the General Fund (currently projected to be £10m as at 31st March 2019), details of HRA usable reserves (£5.090m as at 1st April 2018) and Capital Reserves (£39.808m as of 1st April 2018). It was noted that the use of these particular reserves are ring-fenced for specific purposes as set out in the report. The report also detailed the usable reserves for each Directorate (£31.605m for Corporate Services, £4.679m for Communities, £8.419m for Education and Lifelong Learning and £6.995m for Social Services). Work has been carried out to establish Directorate reserves which have the potential for release, and where identified, these were set out in bold throughout Sections 4.5-4.8 of the report for Members' consideration.
- 1.4 Additionally, the report set out details of service underspends for each Directorate, and it was explained that in line with the Reserves Strategy agreed by Cabinet in July 2016, a 3% cap has been placed on the cumulative amount that can be held by Directorates in service underspend reserves. As Corporate Services and Education & Lifelong Learning had exceeded this cap, the report therefore summarised proposals to utilise this excess accumulated underspend (totalling £0.764m). These proposals included support for the Capital Programme 21st Century Band B match funding, Post 16/Single Sec Review Resourcing, Digital Strategy Implementation, and Caerphilly 2022 Leadership Training and Development.
- 1.5 During the course of the ensuing debate, and in response to Members' queries, Officers elaborated on the reasons for the level of reserves held against some service areas, in particular those relating to Insurance and Waste Management. A Member suggested that consideration be given to the use of PFI reserves held long-term in view that they may not need to be utilised for several years. Officers explained the-way the PFI Sinking Fund works, and the fact that money would need to be taken from this reserve to top up the shortfall in respect of the funding from WG. It was always anticipate that this would be the case, and the External Auditors would expect to see a PFI Sinking Fund, hence these funds could not be released. A Member queried why a reserve was held for Cwmcarn High School overspend, and Officers confirmed that this reserve would be required and that a report on the overspend

would be presented to the Education for Life Scrutiny Committee. Members also queried the level of funds held in the Gwent Frailty Programme (£2.283m) and it was explained that this reserve is held by CCBC on behalf of the partnership which covers the whole Gwent region (with only a proportion of these funds belonging to CCBC).

- 1.6 Members referred to the separate Brexit report being presented to Cabinet on 16th January 2019 (and thereafter Council) which recommended that £1m be set aside in an earmarked contingency reserve (to be funded from the £20.8m unallocated reserves identified in the Update on Reserves report) to meet any financial implications arising from the Brexit process. The Scrutiny Committee expressed concerns that their view had not been sought on the use of this particular reserve, given that the Committee had been referenced in the recommendations for the Brexit report. Officers emphasised that all Members will have an opportunity to consider this particular proposal at full Council on 22nd January 2019.
- 1.7 It was also explained that the Update on Reserves report was seeking the Committee's support to release some reserves for specific uses, whereas the Brexit report would be seeking Council approval for the next step in order to allocate a portion of this released reserve to a specific fund for potential utilisation. In response to Members' queries, Officers also outlined the Council's responsibility to establish this contingency fund given a potential scenario where immediate access may be required and emphasised that should it not be needed, the funds will be transferred back to the pot for unallocated reserves.
- 1.8 Reference was made to the proposal to utilise some reserves to take forward the Council's Leadership Training and Development, and Members queried whether this was the appropriate time to allocate funds for training purposes, given the level of savings required of the Council. Officers explained that this training presents a unique opportunity to invest in leadership skills across the Senior Management network and will allow managers to build on their existing capacity and explore newer and more strategic ways of working. The training represents excellent value for money and will be made available to a wide section of the workforce, including staff in primary and secondary schools. Discussion also took place regarding the distribution of revenue generated from the Community Infrastructure Levy (CIL) and Officers explained that expenditure takes place around the area from where this revenue is generated. Members were also advised that funding for new infrastructure (such as roads and schools) is usually generated from a number of sources and not merely the CIL.
- 1.9 Following consideration of the report and in noting its contents, the Policy and Resources Scrutiny Committee unanimously recommended to Cabinet that:-
- (i) the contents of the report be noted;
 - (ii) the accumulated underspend reserves above the 3% cap for Corporate Services and Education & Lifelong Learning be utilised as detailed in 4.9.2 of the report;
 - (iii) specific reserves relating to the Directorate of Education and Corporate Services totalling £1.5m be released and allocated towards 21st Century Schools Band B match funding;
 - (iv) funding totalling £20.08m (Capital reserves £16.227m, Council Tax Reduction Scheme 3m, Trehir reserve £350k, Members reserve £506k) be released from the various reserves as detailed throughout the report and set aside in the balance sheet for one-off expenditure.
- 1.10 Cabinet is asked to consider the report and the above recommendations.

Author: R. Barrett, Committee Services Officer, Ext. 4245

Appendices:

Appendix 1 Report to Policy and Resources Scrutiny Committee on 15th January 2019 - Agenda Item 11