



POLICY AND RESOURCES SCRUTINY COMMITTEE – 12TH JANUARY 2021

SUBJECT: UPDATE ON RESERVES

REPORT BY: CORPORATE DIRECTOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To present the Scrutiny Committee with details of the usable reserves held by the Authority.

2. SUMMARY

- 2.1 The report provides details of the usable reserves held by the Authority. Details are provided of the audited balances as at the 1st April 2020 along with updated balances reflecting in-year adjustments actioned o date for the 2020/21 financial year.

3. RECOMMENDATIONS

- 3.1 Members of the Scrutiny Committee are asked to note the content of the report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Scrutiny Committee is provided with details of the usable reserves held by the Authority.

5. THE REPORT

- 5.1 Appendix 1 provides details of the Authority's usable reserves which totalled £139.425m as at the 1st April 2020. Based on an assessment of in-year adjustments actioned to date the current balance on usable reserves is £140.501m. The following paragraphs provide a detailed commentary on the balances held.

5.2 General Fund

- 5.2.1 The opening balance on the General Fund as at the 1st April 2020 was £15.022m. After adjusting for 2020/21 approved in-year use of General Fund balances the current General Fund balance is £10.684m. This is summarised in the table below: -

	£m	£m
General Fund Opening Balance as at 01/04/20		15.022
In-Year Use of General Fund Balance: -		
2019/20 Council Tax Surplus to support 2020/21 Budget (Special Council 20/02/20)	(1.050)	
Funding of deficit on Communities Directorate Reserve (Council 10/09/20)	(0.575)	
Establishment of Covid-19 Earmarked Reserve (Council 10/09/20)	(2.713)	
		(4.338)
Current General Fund Balance		10.684

5.2.2 In line with the Council's Reserves Strategy the Section 151 Officer provides advice on the appropriate level of the General Fund Reserve annually as part of the budget setting process and this is subject to approval by Cabinet and Full Council. Typically, the Section 151 Officer has recommended in previous budget reports to Council that the minimum balance on the General Fund Reserve should be circa 3% of the Council's net revenue budget.

5.2.3 At its meeting on the 20th February 2020 Council approved a recommendation from the Acting Section 151 Officer that the General Fund balance should be maintained at 3% of the 2020/21 net revenue budget i.e. £10.684m. This position was subsequently reconsidered by Council on the 10th September 2020 and a further recommendation to maintain the General Fund balance at £10.684m was approved.

5.3 Housing Revenue Account (HRA)

5.3.1 HRA funds must be ring-fenced and cannot be transferred into General Fund balances. The balance on the HRA usable reserves as at the 1st April 2020 was £12.841m. Most of this funding will be utilised to complete the Welsh Housing Quality Standard (WHQS) Capital Programme.

5.4 Capital Reserves

5.4.1 The current balance on capital reserves is £66.670m. These reserves are ring-fenced for the Authority's Capital Programme. Capital balances are currently being reviewed with a view to releasing further uncommitted sums to support proposed investments in the 'Place Shaping' agenda. Members may recall that the Update on Reserves Report presented to the Policy and Resources Scrutiny Committee on the 14th January 2020 included a recommendation to set-aside £24.543m in a Capital Earmarked Reserve to support the 'Place Shaping' agenda. This recommendation was supported by the Scrutiny Committee and was subsequently approved by Cabinet at its meeting on the 29th January 2020.

5.4.2 The ongoing review of capital balances will identify further sums that can be earmarked, and a report is scheduled for Cabinet consideration in February 2021. This report will include details of proposed 'Place Shaping' investments and a Members Seminar will be scheduled to ensure that Members are fully consulted on the proposed investments prior to Cabinet consideration.

5.5 Corporate Services

5.5.1 The current balance on Corporate Services reserves after updating for in-year adjustments actioned to date is £32.155m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Trehir Reserve	0.235	Required for potential works on former landfill site.
Invest to Save Reserve	0.469	To provide repayable one-off financial support for service initiatives that deliver cashable savings.
Insurance Earmarked Reserve	6.140	Self-insurance facility. The Authority's insurance excess is £250k. All claims below this level are funded through the insurance earmarked reserve.
Risk Management Reserve	0.334	To support risk management initiatives that mitigate insurance claims.
Corporate Property Service Initiatives Reserve	0.126	To fund a fixed-term Asset Management Co-ordinator and to support Corporate building schemes.
Electoral Admin Reserve	0.459	Cumulative balance on funding set aside annually for local elections.
Health & Safety Initiatives	0.263	To meet one-off unavoidable cost pressures in Council establishments.
PC Replacement Reserve	0.377	This reserve funds the ongoing replacement of essential IT hardware and software across the Authority and is fully committed in the current financial year.
Private Finance Initiative (PFI) Equalisation Reserves	9.873	Committed to funding approved PFI Schemes.
Corporate Services - Service Initiatives Reserves	13.442	<ul style="list-style-type: none"> Care-line (£269k) – Retained underspends on the Care First budget. Counsel Fees (£289k) – Retained underspends on the Counsel Fees revenue budget. Council Tax Reduction Scheme (£531k) – Retained underspends on the CTRS budget. Apprenticeship Scheme (£366k) – Committed to ongoing apprenticeships and for match-funding ESF projects. Member Services (£211k) – Ring-fenced retained underspends on the Member Services budget. Voluntary Sector Grants (£125k) – Retained underspends on the Grants to the Voluntary Sector budget. This budget is monitored by Members on the Grants to the Voluntary Sector Panel. I.T. Systems – Various sums set aside to fund system upgrades and new

		<p>software and hardware investments (£1.233m).</p> <ul style="list-style-type: none"> • Contingency for one-off cost of MTFP staffing reductions (£381k). • Fixed-Term Posts – Funding set-aside to fund approved fixed-term posts (£257k). • Caerphilly 2022 Leadership Development (£1k). • Ty Penallta – Replacement lighting (£17k). • Storm Dennis – Funding for grant payments to residents suffering flood damage to properties (£147k). • Caerphilly Academy Gateway to Employment – Development of a pilot skills and apprenticeship academy from April 2020 for an initial period of one year (£127k). • Flexible Working – Reserve established to support the roll-out of new flexible ways of working (£500k). • Education contributions to ESF Programmes (£322k). • Municipal Mutual Insurance (MMI) Levy (£391k) – Funding set aside to meet future liabilities arising from the MMI Scheme of Arrangement. • Contingency for cost pressures in Waste Management (£400k). • MTFP Savings Delivery Earmarked Reserve (£1.728m). • Teachers Pensions Funding Allocation 2019/20 (£2.434m). Options for utilising this one-off funding are currently under consideration and will be subject to a further report. • Brexit Earmarked Reserve (£1m). • Covid-19 Earmarked Reserve – Funding set aside to meet unfunded additional costs arising from the Covid-19 pandemic (£2.713m).
Salix Finance	0.299	To support energy saving initiatives.
Retained Underspends Reserves	0.138	Accumulated service underspends.
Total: -	32.155	

5.5.2 Members will note from the above that £138k is held in 'Retained Underspends Reserves'. Cabinet has previously agreed a policy whereby service areas retain 50% of reported underspends at the financial year-end. Conversely, any service based overspends are carried forward by the service areas responsible for generating the overspends. This approach has worked well as there is full ownership and accountability by budget holders in respect of delivering a balanced budget. At its meeting on the 27th July 2016, Cabinet agreed a Reserves Strategy which included the introduction of a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This will be covered in more detail in section 5.9 of this report.

5.6 Communities

- 5.6.1 The current balance on Communities reserves after updating for in-year adjustments actioned to date is £5.854m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
DLO Surplus/Deficit	0.038	Retained cash surplus for Network Contracting Services (NCS) for work arising from the Sirhowy Enterprise Way PFI contract.
Planning - Community Infrastructure Levy	2.211	Revenue generated from the Community Infrastructure Levy.
Planning - Service Initiatives Reserve	0.277	<ul style="list-style-type: none"> LDP related expenditure (£140k). Funding for fixed-term post (£84k). I.T. Reserve - IDOX software and DAS maintenance (£53k).
Highways – Service Specific Reserve	0.029	Ring-fenced winter maintenance reserve.
Economic Development – Service Initiatives Reserve.	0.075	<ul style="list-style-type: none"> Valleys Taskforce Crowdfunding for fixed-term post (£73k). Footfall counters (£2k) – This will be removed at year-end if not utilised.
Area Forum Reserve	0.039	This is being utilised to support agreed MTFP savings in this area.
Cemeteries	0.702	Reserve established to fund works in CCBC owned cemeteries.
Communities Directorate - Service Initiatives Reserve.	2.000	<ul style="list-style-type: none"> Regeneration Board - Fund created to develop projects to stimulate economic development in the county borough (£1.500m). Cabinet has approved schemes totalling £1.392m and the funding will be transferred to specific projects at year-end. This will leave a balance of £108k. Environmental Projects – Reserve established to fund one-off schemes (£500k). Schemes are progressing and this funding will be utilised by year-end.
Catering - Service Initiatives Reserve.	0.483	Funding for the rollout of cashless catering in schools.
Total: -	5.854	

5.7 Education & Lifelong Learning

- 5.7.1 The current balance on Education & Lifelong Learning reserves after updating for in-year adjustments actioned to date is £6.534m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Service Initiatives Reserve	2.327	<ul style="list-style-type: none"> • Transport Equalisation Account (£23k). • Voluntary Early Release (VER) costs (£471k) – Required to meet ongoing liabilities in schools. • ESF Bridges into Work – Match-funding contribution (£537k). • ESF Working Skills for Adults 2 - Match-funding contribution (£267k). • ESF Inspire to Work – Match-funding contribution (£22k). • Contribution to Grade 9 Fire Officer (£23k). • Traffic Calming Islwyn High (£1k). This will be removed at year-end if not utilised. • Budget Pressures - Behaviour & Mental Health (£140k). • Post 16 / Single Sex Review (£91k). • Period Products (2018-19 Displaced Funding) (£85k). • Fixed-Term Health & Safety Officer for schools (£35k). • Pupil achievement in secondary schools (£110k). • Leadership development in schools (£100k). • Guest Wi-Fi in schools (£49k). • Core textbooks for years 10 and 11 (£302k). • Schools improvement (£71k).
Schools PFI Earmarked Reserves	1.193	Contingent sum for unforeseen cost pressures for 2 PFI schools.
School Balances	1.269	Net overall retained underspends ring-fenced to schools.
Local Management of Schools (LMS) Contingency.	1.745	Accumulated underspends on LMS revenue budget. This reserve is maintained to support potential redundancy costs in schools, statutory maintenance costs and other unforeseen unavoidable cost pressures.
Total: -	6.534	

5.8 Social Services & Housing

5.8.1 The current balance on Social Services & Housing reserves after updating for in-year adjustments actioned to date is £5.763m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Community Activities Reserve	0.041	To support trading activities in Day Centres.
Social Services - Service Initiatives Reserve	1.786	<ul style="list-style-type: none"> • Finance IT System (£62k) – Reserve established to meet finance related development costs linked to the implementation of the Welsh Community Care Information System (WCCIS). • AMHP training backfill (£10k). • Feasibility Study for regional Deputyship Service (£41k). • Additional Service Manager capacity (£254k). • Family aid for parents with Learning Disabilities (£113k). • Equipment to enable single-handed Home Care calls (£152k). • Expansion of MyST Intensive Fostering Service (£150k). • Development of the Safeguarding Hub (£110k). • Reserve established to mitigate the potential withdrawal of ICF grant funding (£500k). • Backfill for staff seconded to undertake Social Work qualification (£170k). • Feasibility study in respect of delivering Telecare options (£40k). • Contributions to Buddy Scheme and Caerphilly Cares (£184k).
Reserves Held for Partnerships	1.879	<p>Reserves held on behalf of partnerships led by Caerphilly CBC: -</p> <ul style="list-style-type: none"> • North Resource Centre (£27k). • SE Wales Shared Lives Scheme (£131k). • Youth Offending Service (£705k). • SE Wales Safeguarding Children Board (£475k). • SE Wales Emergency Duty Team (£93k). • Gwent Frailty Programme (£448k).
Service Initiatives Reserve (General Fund Housing)	0.464	<ul style="list-style-type: none"> • Renewal fund for the replacement of white goods and internal decoration at Ty Fesen family accommodation (£169k). • Renewal Fund for future building costs at Ty Croeso single persons' accommodation (£148k). • Homelessness prevention (£106k). • Shortfall in Shelter contract payments (£41k).

Service Initiatives Reserve (Private Housing)	0.008	Unfunded costs associated with the administration of the Improvement Loan scheme.
Accumulated Service Underspends	1.585	As per agreed policy (see paragraph 5.5.2). Social Services (£1.282m), Housing (£303k).
Total: -	5.763	

5.9 Cap on Retained Underspend Reserves

5.9.1 As mentioned in paragraph 5.5.2, at its meeting on the 27th July 2016 Cabinet agreed a Reserves Strategy which included the introduction of a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This cap is set at 3% of the net revenue budget for each Directorate and where this is exceeded then proposals must be presented to utilise the excess, or a justification must be made to hold the reserves above the 3% level.

5.9.2 No Directorates have current balances that exceed the 3% cap.

6. ASSUMPTIONS

6.1 There are no assumptions within this report.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 Ensuring that adequate General Fund balances are maintained to meet any unforeseen expenditure and the establishment of specific reserves to meet known future financial commitments are key elements of prudent financial management.

7.2 Prudent financial management contributes to the following Well-being Goals within the Wellbeing of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8 WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial management including the utilisation of reserves is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low

level or minor negative impact has been identified regarding this report; therefore, a full EIA has not been carried out.

10. FINANCIAL IMPLICATIONS

10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

13.1 The Local Government Acts 1998 and 2003.

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Background Papers:

Cabinet (27/07/16) – Reserves Strategy
Council (20/02/20) – Budget Proposals for 2020/21 and Medium-Term Financial Outlook
Council (10/09/20) – Financial Outlook

Appendices:

Appendix 1 - List of Usable Reserves