



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – 22ND FEBRUARY 2022**

**SUBJECT: UPDATE ON RESERVES**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE  
SERVICES**

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### **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 2021 along with updated balances reflecting in-year adjustments actioned to date for the 2021/22 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 £180.055m as at the 1<sup>st</sup> April 2021. Based on an assessment of in-year adjustments actioned to date the current balance on usable reserves is £178.925m. 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 1<sup>st</sup> April 2021 was £21.312m. After adjusting for 2021/22 approved in-year use of General Fund balances the current General Fund balance is £11.047m. This is summarised in the table below: -

	£m	£m
<b>General Fund Opening Balance as at 01/04/21</b>		<b>21.312</b>
<b>In-Year Use of General Fund Balance: -</b>		
Approved use of General Fund balances to support the 2021/22 budget (Special Council 24/02/21)	(1.050)	
Approved establishment of Earmarked Reserves (Council 13/07/21)	(9.215)	
		<b>(10.265)</b>
<b>Current General Fund Balance</b>		<b>11.047</b>

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 13<sup>th</sup> July 2021 Council approved a recommendation from the Head of Financial Services & S151 Officer that the General Fund balance should be maintained at 3% of the 2021/22 net revenue budget i.e. £11.047m.

### 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 1<sup>st</sup> April 2021 was £14.915m. Some of this funding has since been used to complete the Welsh Housing Quality Standard (WHQS) Capital Programme, and the remainder will help fund the Post Asset Management Strategy (PAMS) and new build programme moving forward.

### 5.4 Capital Reserves

5.4.1 The current balance on capital reserves is £70.608m. These reserves are ring-fenced for the Authority's Capital Programme. £30.231m of this balance relates to funding that has been set aside to support investments in the Council's Wellbeing and Place Shaping Framework, with the balance being earmarked to support a range of other capital projects. Capital balances are currently being reviewed to ensure that the sums are fully committed and where this is not the case proposals will be developed for the funding to be redirected for other capital purposes.

### 5.5 Corporate Services

5.5.1 The current balance on Corporate Services reserves after updating for in-year adjustments actioned to date is £47.761m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Treher Reserve	0.235	This reserve was previously established for potential works on the former landfill site but there are currently no specific proposals for the use of the reserve. Members will be aware that the 2022/23

		Draft Budget Proposals endorsed by Cabinet on the 19 <sup>th</sup> January 2022 included a recommendation to top-up the Covid-19 Earmarked Reserve to £5m through re-directing existing uncommitted reserves. The re-direction of the Trehir Reserve forms part of this proposal.
Invest to Save Reserve	0.602	To provide repayable one-off financial support for service initiatives that deliver cashable savings.
Insurance Earmarked Reserve	5.740	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	0.282	To support risk management initiatives that mitigate insurance claims.
Corporate Property Service Initiatives Reserve	0.109	To fund a fixed-term Asset Management Co-ordinator and to support Corporate building schemes.
Electoral Admin Reserve	0.606	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	0.359	This reserve funds the ongoing replacement of essential IT hardware and software across the Authority.
Private Finance Initiative (PFI) Equalisation Reserves	9.647	Committed to funding approved PFI Schemes.
Corporate Services - Service Initiatives Reserves	21.533	<ul style="list-style-type: none"> <li>• Care-line (£274k) – Retained underspends on the Care First budget.</li> <li>• Council Tax Reduction Scheme (£1.148m) – Retained underspends on the CTRS budget.</li> <li>• Apprenticeship Scheme (£632k) – Committed to funding apprenticeships across the Council.</li> <li>• Member Services (£314k) – Ring-fenced retained underspends on the Member Services budget.</li> <li>• Voluntary Sector Grants (£137k) – Retained underspends on the Grants to the Voluntary Sector budget. This budget is monitored by Members on the Grants to the Voluntary Sector Panel.</li> <li>• I.T. Systems (£1.206m) – Various sums set aside to fund system upgrades and new software and hardware investments.</li> <li>• Contingency for one-off cost of MTFP staffing reductions (£381k) - This reserve is currently uncommitted and it is proposed that this will be redirected as part of the proposal in the 2022/23</li> </ul>

		<p>Draft Budget Proposals Report to top-up the Covid-19 Earmarked Reserve to £5m.</p> <ul style="list-style-type: none"> <li>• Fixed-Term Posts – Funding set-aside to fund approved fixed-term posts (£497k).</li> <li>• Ty Penallta – Replacement lighting (£16k). This is no longer required and will be released into balances at year-end.</li> <li>• Storm Dennis – Funding for grant payments to residents suffering flood damage to properties (£146k). This is subject to reconciliation and any uncommitted sums will be released into balances at year-end.</li> <li>• Caerphilly Academy Gateway to Employment – Development of a pilot skills and apprenticeship academy from April 2020 for an initial period of one year (£127k). Delays have been experienced due to Covid-19 but the reserve is fully committed moving forward.</li> <li>• Flexible Working – Reserve established to support the roll-out of new flexible ways of working (£500k).</li> <li>• Health &amp; Safety – Balance on previously approved reserve that will be released at year-end (£4k).</li> <li>• Ed Tech (£414k) – Reserve to support delivery of the Ed Tech programme in schools.</li> <li>• Licence to Innovate (£250k) – Funding set aside to support the Licence to Innovate initiative.</li> <li>• Education contributions to ESF Programmes (£322k).</li> <li>• Abavus – Funding set aside for the cost of the Abavus I.T. system (£268k).</li> <li>• Leadership Development (£63k) – Reserve established to support leadership development across the Council.</li> <li>• Funding for fixed-term Policy Officer (£48k).</li> <li>• Balance on reserve established for the cost of a generator in the Data Centre (£11k).</li> <li>• Ty Penallta Café (£5k) – Balance on reserve established for refurbishment.</li> <li>• Targeted Rate Relief (£225k) – Funding ring-fenced for rate relief scheme that is being delivered in the 2021/22 financial year.</li> <li>• Municipal Mutual Insurance (MMI) Levy (£391k) – Funding set aside to meet</li> </ul>
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		<p>future liabilities arising from the MMI Scheme of Arrangement.</p> <ul style="list-style-type: none"> <li>• Contingency for cost pressures in Waste Management (£400k). Cabinet has now agreed a proposal for this reserve to be used to undertake a contract management review in Waste Services.</li> <li>• MTFP Savings Delivery Earmarked Reserve (£1.555m). £382k of this funding is required to meet previously approved commitments in the 2021/22 financial year. The balance of £1.173m is currently uncommitted and it is proposed that this will be redirected as part of the proposal in the 2022/23 Draft Budget Proposals Report to top-up the Covid-19 Earmarked Reserve to £5m.</li> <li>• 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.</li> <li>• Brexit Earmarked Reserve (£686k). The balance on this reserve is currently uncommitted and it is proposed that this will be redirected as part of the proposal in the 2022/23 Draft Budget Proposals Report to top-up the Covid-19 Earmarked Reserve to £5m.</li> <li>• Covid-19 Earmarked Reserve – Funding set aside to meet unfunded additional costs arising from the Covid-19 pandemic (£3.5m). The current uncommitted balance on this reserve is £2.516m. It is proposed to top-up the reserve to £5m to help mitigate some of the ongoing additional costs and income losses arising from the pandemic.</li> <li>• Council Tax Collection Grant (£1.122m) – Funding provided by WG to mitigate the impact of Covid-19 on council tax collection rates.</li> <li>• Digital Transformation (£1.981m) – Funding to support delivery of the Council's ICT Strategy and Transformation Programme.</li> <li>• Community Co-ordinators (£227k) – Funding set aside to pilot the introduction of five Community Connectors/Co-ordinators for an initial period of 12 months.</li> <li>• Cleaning and Greening (£1m) – Reserve established to fund a broad</li> </ul>
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		<p>range of one-off initiatives across the county borough.</p> <ul style="list-style-type: none"> <li>Decarbonisation Strategy (£500k) – Funding to support the delivery of the Council's Decarbonisation Strategy and Action Plan.</li> <li>2021/22 Pay Awards (£749k) – Additional funding set aside to meet the anticipated in-year additional costs of pay awards.</li> </ul>
Salix Finance	0.217	To support energy saving initiatives.
Interest Equalisation Reserve	8.104	This reserve is not cash backed and is an accounting entry to unwind notional interest payments on a loan provided by Welsh Government.
Retained Underspends Reserves	0.064	Accumulated service underspends.
<b>Total: -</b>	<b>47.761</b>	

5.5.2 Members will note from the above that £64k 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 27<sup>th</sup> 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 Economy & Environment

5.6.1 The current balance on Economy & Environment reserves after updating for in-year adjustments actioned to date is £9.040m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
DLO Surplus/Deficit	0.087	Retained cash surplus for Network Contracting Services (NCS) for work arising from the Sirhowy Enterprise Way PFI contract.
Planning - Community Infrastructure Levy	2.953	Revenue generated from the Community Infrastructure Levy.
Planning - Service Initiatives Reserve	0.358	<ul style="list-style-type: none"> <li>LDP related expenditure (£274k).</li> <li>Funding for fixed-term post (£84k).</li> </ul>
Highways – Service Specific Reserve	0.215	Ring-fenced winter maintenance reserve.
Economic Development & Tourism - Service Initiatives Reserve	0.074	<ul style="list-style-type: none"> <li>Valleys Taskforce Crowdfunding for fixed-term post (£73k).</li> <li>Footfall counters (£1k) – This will be removed at year-end if not utilised.</li> </ul>
Area Forum Reserve	0.039	Uncommitted balance which will be removed at year-end if not utilised.

Cemeteries	0.339	Reserve established to fund works in CCBC owned cemeteries.
Community & Leisure Services - Service Initiatives Reserve	0.750	Reserve established for £250k per annum for the next three years for both physical works and traffic management costs in respect of tree felling as a result of Ash Die Back.
Economy & Environment - Service Initiatives Reserve.	3.703	<ul style="list-style-type: none"> <li>• Regeneration Board (£3.335m) - Fund created to develop projects to stimulate economic development in the county borough. The majority of this funding is now committed to specific projects, with a balance of £575k currently being available for new project proposals.</li> <li>• Environmental Projects (£80k) – Balance on reserve of £500k that was established to fund one-off schemes.</li> <li>• Fixed-Term Posts (£184k) – Funding for fixed-term posts in Environmental Health and the Business Enterprise &amp; Renewal Team (BERT).</li> <li>• £25k reserve for the refurbishment of two Refuse Collection Vehicles.</li> <li>• £14k for the replacement of refuse bins and container bins.</li> <li>• £50k for public realm improvements in Rhymney High Street.</li> <li>• £15k for reusable nappy vouchers.</li> </ul>
Retained Underspends Reserves	0.039	Accumulated service underspends.
Catering - Service Initiatives Reserve.	0.483	Funding for the rollout of cashless catering in schools.
<b>Total: -</b>	<b>9.040</b>	

## 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 £17.745m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
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Service Initiatives Reserve	3.110	<ul style="list-style-type: none"> <li>• Transport Equalisation Account (£23k).</li> <li>• Voluntary Early Release (VER) costs (£370k) – Required to meet ongoing liabilities in schools.</li> <li>• ESF Bridges into Work – Match-funding contribution (£537k).</li> <li>• ESF Working Skills for Adults 2 - Match-funding contribution (£267k).</li> <li>• ESF Inspire to Work – Match-funding contribution (£22k).</li> <li>• Traffic Calming Islwyn High (£1k). This will be removed at year-end if not utilised.</li> <li>• Budget Pressures - Behaviour &amp; Mental Health (£140k).</li> <li>• Post 16 / Single Sex Review (£49k).</li> <li>• Fixed-Term Health &amp; Safety Officer for schools (£12k).</li> <li>• Leadership development in schools (£159k).</li> <li>• Guest Wi-Fi in schools (£49k).</li> <li>• Core textbooks for years 10 and 11 (£4k).</li> <li>• Schools improvement (£72k).</li> <li>• Funding set aside to support delivery of the Ed Tech Programme (£603k).</li> <li>• Reserve for future replacement of ATP at Blackwood Comprehensive (£50k).</li> <li>• Post-16 Review (£42k)</li> <li>• Fixed-Term Posts – Funding set-aside to fund approved fixed-term posts (£228k).</li> <li>• Drainage at Sue Noakes (£10k).</li> <li>• I.T. Hardware/Software – Various sums set aside to fund new hardware and software requirements (£176k).</li> <li>• Pupil Learning Opportunity (£70k).</li> <li>• Additional Learning Needs Grant carried forward from 2020/21 (£226k).</li> </ul>
Schools PFI Earmarked Reserves	1.310	Contingent sum for any unforeseen cost pressures for 2 PFI schools.
Retained Underspends Reserves	0.198	Accumulated service underspends.
School Balances	11.340	Net overall retained underspends ring-fenced to schools.
Local Management of Schools (LMS) Contingency.	1.787	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.
<b>Total: -</b>	<b>17.745</b>	



## 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 £7.810m. 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	3.519	<ul style="list-style-type: none"> <li>• Finance IT System (£67k) – Reserve established to meet finance related development costs linked to the implementation of the Welsh Community Care Information System (WCCIS).</li> <li>• AMHP training backfill (£40k).</li> <li>• Additional Service Manager capacity (£336k).</li> <li>• Family aid for parents with Learning Disabilities (£180k).</li> <li>• Equipment to enable single-handed Home Care calls (£152k).</li> <li>• Expansion of MyST Intensive Fostering Service (£400k).</li> <li>• Development of the Safeguarding Hub (£120k).</li> <li>• Reserve established to mitigate the potential withdrawal of ICF grant funding (£500k).</li> <li>• Backfill for staff seconded to undertake Social Work qualification (£149k).</li> <li>• Feasibility study in respect of delivering Telecare options (£40k).</li> <li>• Contributions to Buddy Scheme and Caerphilly Cares (£260k).</li> <li>• Operation Jasmine legal support (£30k).</li> <li>• Care Home visiting and Lateral Flow Testing (£184k).</li> <li>• Fixed-Term Posts – Funding set-aside to fund approved fixed-term posts (£584k).</li> <li>• Family Intervention Team Service Level Agreement (£57k).</li> <li>• Funding to tackle a backlog of minor works of adaptation (£100k).</li> <li>• Temporary additional staffing capacity in Beatrice Webb and Ty Clyd (£320k).</li> </ul>

Reserves Held for Partnerships	2.301	Reserves held on behalf of partnerships led by Caerphilly CBC: - <ul style="list-style-type: none"> <li>• North Resource Centre (£27k).</li> <li>• SE Wales Shared Lives Scheme (£199k).</li> <li>• Youth Offending Service (£948k).</li> <li>• SE Wales Safeguarding Children Board (£540k).</li> <li>• SE Wales Emergency Duty Team (£84k).</li> <li>• Gwent Frailty Programme (£503k).</li> </ul>
Retained Underspend Reserves – Social Services	0.959	Accumulated service underspends.
Service Initiatives Reserve - General Fund Housing	0.488	<ul style="list-style-type: none"> <li>• Renewal fund for the replacement of white goods and internal decoration at Ty Fesen family accommodation (£169k).</li> <li>• Renewal Fund for future building costs at Ty Croeso single persons' accommodation (£172k).</li> <li>• Homelessness prevention (£106k).</li> <li>• Shortfall in Shelter contract payments (£41k).</li> </ul>
Retained Underspend Reserves – General Fund Housing	0.361	Accumulated service underspends.
Retained Underspend Reserves – Private Housing	0.123	Accumulated service underspends.
Service Initiatives Reserve – Private Housing	0.017	Unfunded costs associated with the administration of the Improvement Loan Scheme.
<b>Total: -</b>	<b>7.810</b>	

## 5.9 Cap on Retained Underspend Reserves

5.9.1 As mentioned in paragraph 5.5.2, at its meeting on the 27<sup>th</sup> 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. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 This report is for information only so an Integrated Impact Assessment is not required.

## **8. FINANCIAL IMPLICATIONS**

8.1 As detailed throughout the report.

## **9. PERSONNEL IMPLICATIONS**

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

## **10. CONSULTATIONS**

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

## **11. STATUTORY POWER**

11.1 The Local Government Acts 1998 and 2003.

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Background Papers:

Cabinet (27/07/16) – Reserves Strategy.

Special Council (24/02/21) – Budget Proposals for 2021/22 and Medium-Term Financial Outlook.

Council (13/07/21) – Provisional Revenue Budget Outturn for 2020/21.

Appendices:

Appendix 1 - List of Usable Reserves