



POLICY AND RESOURCES SCRUTINY COMMITTEE – 14th JANUARY 2020

SUBJECT: UPDATE ON RESERVES

REPORT BY: CORPORATE DIRECTOR FOR 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 2019 along with updated balances reflecting in-year adjustments to date for the 2019/20 financial year.

2.2 The report also provides details of balances that are available for the one-off funding of capital schemes.

3. RECOMMENDATIONS

3.1 Members of the Scrutiny Committee are asked to:-

3.1.1 Note the content of the report.

3.1.2 Support a recommendation to Cabinet that funding totalling £24.543m (Capital Earmarked Reserves £21.107m and Council Tax Reduction Scheme £3.436m) should be set aside pending the preparation of a report during the spring that will outline proposals to utilise this sum for investments in the Council's 'place shaping' agenda.

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 and is able to consider specific proposals to Cabinet.

5. THE REPORT

5.1 Appendix 1 provides details of the Authority's usable reserves which totalled £118.524m as at the 1st April 2019. Based on an assessment of in-year adjustments to date the current balance on usable reserves is £119.041m. 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 2019 was £15.089m. After adjusting for 2019/20 approved in-year use of General Fund balances the current General Fund balance is £11.659m. This is summarised in the table below: -

	£m	£m
General Fund Opening Balance as at 01/04/19		15.089
In-Year Use of General Fund Balance: -		
2018/19 Council Tax Surplus to support 2019/20 Budget (Special Council 21/02/19)	(1.050)	
Transfer to Capital Earmarked Reserves (Special Council 30/07/19)	(2.380)	
		(3.430)
Current General Fund Balance		11.659

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 £10m i.e. circa 3% of the Council's net revenue budget. The 2020/21 budget report will be presented to Council on the 20th February 2020 and this will include a further update on the General Fund balance along with appropriate recommendations.

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 2019 was £6.041m. Most of this funding will be utilised for the Welsh Housing Quality Standard (WHQS) Capital Programme.

5.4 Capital Reserves

5.4.1 Capital reserves are ring-fenced for the Authority's Capital Programme. These balances have been subject to a detailed review and it is currently anticipated that the balance of capital reserves as at the 31st March 2020 will be £51.961m. As a result of the review work undertaken, £21.107m of this balance is confirmed as being available for one-off investments in new capital schemes. A report will be prepared during the spring outlining proposals to utilise this sum for investments in the Council's 'place shaping' agenda. This report will be presented to the Policy & Resources Scrutiny Committee prior to consideration by Cabinet and Council.

5.5 Corporate Services

5.5.1 The current balance on Corporate Services reserves after updating for in-year adjustments is £31.803m. 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	6.692	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	0.416	To support risk management initiatives that mitigate insurance claims.
Corporate Property Service Initiatives Reserve	0.140	To fund a fixed-term Asset Management Co-ordinator and to support Corporate building schemes.
Electoral Admin Reserve	0.382	Cumulative balance on funding set aside annually for local elections.
Health & Safety Initiatives	0.262	To meet one-off unavoidable cost pressures in Council establishments.
PC Replacement Reserve	0.759	This reserve funds the ongoing replacement of essential IT hardware and software across the Authority.
Private Finance Initiative (PFI) Equalisation Reserves	10.772	Committed to funding approved PFI Schemes.
Corporate Services Service Initiatives Reserves	10.224	<ul style="list-style-type: none"> • Care-line (£267k) – Retained underspends on the Care First budget. • Counsel Fees (£368k) – Retained underspends on the Counsel Fees revenue budget. • Council Tax Reduction Scheme (£3.436m) – Retained underspends on the CTRS budget. It is proposed that this sum is transferred to Capital Earmarked Reserves. • Apprenticeship Scheme (£511k) – Committed to ongoing apprenticeships and for match-funding ESF projects. • Member Services (£141k) – Ring-fenced retained underspends on the Member Services budget. • Voluntary Sector Grants (£129k) – Retained underspends on the Grants to the Voluntary Sector budget. This budget is monitored by Members on the Grants to the Voluntary Sector Panel.

		<ul style="list-style-type: none"> • Municipal Mutual Insurance (MMI) Levy (£251k) – Funding set aside to meet future liabilities arising from the MMI Scheme of Arrangement. • Senior Officer Investigation (£247k) – This has now been finalised and any balance remaining will be released at the end of the current financial year. • Replacement of IDOX Document Management System for Council Tax/Housing Benefits (£59k). • Contingency for one-off cost of MTFP staffing reductions (£381k). • Contingency for cost pressures in Waste Management (£400k). • 2Yr fixed term grade 6 post HR (Sickness Absence Monitoring) (£60k) • 1yr Fixed Term Post Grade 7 in Corporate Property (Electrician) (£35k). • 1yr Fixed Term Post Grade 10 in Corporate Property (Land Sales) (£48k) • General Ledger Upgrade - funding of upgrade in 2018/19 to V5.5 (£58k). • Income Management System Upgrade - cost of introducing new cash income system supplied by Capita in 2018/19. (£85k) • Fixed-Term Grade 5 in Council Tax Team (£27k). • Digital Strategy implementation (Thoughtonomy) (£100k). • Digital Strategy implementation (Abavus) (£428k). • Caerphilly 2022 Leadership Development (£100k). • Fixed-Term Policy Officer (£20k). • LED Lighting in Ty Penallta (£31k). • Education contributions to ESF Programmes (£322k). • MTFP Savings Delivery Earmarked Reserve (£1.720m). • Brexit Earmarked Reserve (£1m).
Salix Finance	0.296	To support energy saving initiatives.
Retained Underspends Reserves	1.156	Accumulated service underspends.
Total: -	31.803	

5.5.2 Members will note from the above that £1.156m 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 is £4.266m. 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) work arising from the Sirhowy Enterprise Way PFI contract.
Planning - Community Infrastructure Levy	1.688	Revenue generated from the Community Infrastructure Levy.
Planning - LDP Related Expenditure	0.140	Ring-fenced reserve for completion of a new CCBC Local Development Plan.
Highways – Service Specific Reserve.	0.500	Ring-fenced winter maintenance reserve.
Community Regeneration Fund	0.056	Approved grants to be drawn down.
Economic Development – Service Initiative Reserve.	0.002	£2k relates to footfall counters. This will be removed at year-end if not utilised.
Area Forum Reserve	0.040	This is being utilised to support agreed MTFP savings in this area.
Communities - Service Specific	1.500	Regeneration Board - Fund created to develop projects to stimulate economic development in the area. Any unspent balance will be carried forward into the 2020/21 financial year.
Retained Underspends Reserves	0.302	Accumulated service underspends.
Total: -	4.266	

5.7 Education & Lifelong Learning

5.7.1 The current balance on Education & Lifelong Learning reserves after updating for in-year adjustments is £7.419m. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Service Initiatives Reserve	1.862	<ul style="list-style-type: none"> • ESF Bridges into Work – Match-funding contribution (£537k). • ESF Working Skills for Adults - Match-funding contribution (£267k). • ESF Inspire to Work – Match-funding contribution (£22k). • Transport Equalisation Account (£23k). • Voluntary Early Release (VER) costs (£575k) – Required to meet ongoing liabilities in schools. • 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 (£64k). • Period Products (2018-19 Displaced Funding) (£140k). • Fixed-Term Health & Safety Officer for schools (£45k). • Extension of part-time Fire Officer (£26k).
Schools PFI Earmarked Reserves	1.094	Contingent sum for unforeseen cost pressures for 2 PFI schools.
School Balances	2.520	Net overall retained underspends ring-fenced to schools.
Local Management of Schools (LMS) Contingency.	1.943	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.
Accumulated Service Underspends	0.000	As per agreed policy (see paragraph 5.5.2).
Total: -	7.419	

5.8 Social Services & Housing

5.8.1 The current balance on Social Services & Housing reserves after updating for in-year adjustments is £5.891. The following table provides details of individual balances and the purpose of the reserves: -

Reserve	Amount £m	Description
Community Activities Reserve	0.042	To support trading activities in Day Centres.

Service Initiatives Reserve (Social Services)	0.810	<ul style="list-style-type: none"> • Finance IT System (£26k) – Required to deal with any unforeseen costs arising from the implementation of the Welsh Community Care Information System (WCCIS). • Gwent Frailty Programme (£64k) – To meet future Invest to Save loan repayments to the Welsh Government. • Learning Disability Social Workers (£68k). • AMHP training backfill (£32k). • Feasibility Study for regional Deputyship Service (£42k). • Additional Service Manager capacity (£281k). • Family aid for parents with Learning Disabilities (£258k). • Equipment to enable single-handed Home Care calls (£39k).
Service Initiatives Reserve (Housing)	0.460	<ul style="list-style-type: none"> • Renewal Fund for future building costs at Ty Croeso single persons' accommodation (£141k). • Renewal fund for the replacement of white goods and internal decoration at Ty Fesen family accommodation (£180k). • Shortfall in Shelter contract payments for 2017/18 to 2019/20 (£41k). • Homelessness prevention (£98k).
Reserves Held for Partnerships	2.178	<p>Reserves held on behalf of partnerships led by Caerphilly CBC: -</p> <ul style="list-style-type: none"> • North Resource Centre (£17k). • SE Wales Shared Lives Scheme (£61k). • Youth Offending Service (£698k). • SE Wales Safeguarding Children Board (£397k). • SE Wales Emergency Duty Team (£31k). • Gwent Frailty Programme (£974k).
Accumulated Service Underspends	2.401	As per agreed policy (see paragraph 5.5.2). Social Services (£2.086m), Housing (£315k).
Total: -	5.891	

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. The following table summarises the 2019/20 net budget for each

Directorate, the current balance on underspend reserves and whether the cap has been exceeded:-

Directorate	2019/20 Net Budget £m	Reserve Balance £m	3% Cap £m	Excess Above Cap £m
Corporate Services	20.091	1.156	-	-
Education & Lifelong Learning	34.349	0.000	-	-
Sub-Total: -	54.440	1.156	1.633	-
Communities	40.044	0.302	1.201	-
Social Services & Housing	93.189	2.401	2.795	-

5.9.2 The above table demonstrates that balances are currently within the 3% cap. Members will note that the figures for Corporate Services and Education & Lifelong Learning have been combined as these are now managed as a single Directorate.

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
Special Council (30/07/19) – Financial Accounts 2018/19

Appendices:
Appendix 1 - List of Usable Reserves

List of Usable Reserves

Appendix 1

Directorate / Service Area	Description	Opening Balance 1.4.2019	2019/20 In-Year Adjustments	Updated Balance Relecting In-Year Adjustments	Earmarked For Potential One Off Funding of Capital Schemes
1 General Fund					
Corporate	General Fund	-15,089,227	3,430,000	-11,659,227	0
Total General Fund		-15,089,227	3,430,000	-11,659,227	0
2 Housing Revenue Account					
Housing Revenue Account	Various	-6,041,235	0	-6,041,235	
Total HRA		-6,041,235	0	-6,041,235	0
3 Capital Reserves					
Capital Earmarked Reserves	Various	-24,109,325	7,433,378	-16,675,948	
Useable Capital Receipts	Various	-9,979,459	3,462,178	-6,517,281	
Capital Grants Unapplied	Various	-11,607,160	3,945,363	-7,661,797	
Corporate Projects Capital Funding		0	-21,106,208	-21,106,208	-21,106,208
Total Capital Reserves		-45,695,945	-6,265,290	-51,961,235	-21,106,208
4 Corporate Services					
Corporate	TREHIR RESERVE	-584,549	350,000	-234,549	
Corporate - Capital	RESERVE - INVEST TO SAVE	-313,300	-156,183	-469,483	
Insurance Fund	INSURANCE EARMARKED RESERVE	-6,692,314	0	-6,692,314	
Insurance Fund	RISK MANAGEMENT RESERVE	-415,558	0	-415,558	
Property Services	SERVICE INITIATIVES RESERVE	-139,590	0	-139,590	
Corporate Services	ELECTORAL ADMIN RESERVES	-382,029	0	-382,029	
Corporate Services	HEALTH & SAFETY INITIATIVES	-262,606	0	-262,606	
Corporate Services	CORPORATE PC REPLACEMENT RESER	-759,292	0	-759,292	
Corporate Services	SEW PFI EQUALISATION RESERVE	-2,076,662	0	-2,076,662	
Corporate Services	EDUC PFI EQUALISATION RESERVE	-8,694,566	0	-8,694,566	
Corporate	SERVICE INITIATIVES RESERVE	-2,836,053	-782,349	-3,618,401	
Corporate Services	SERVICE INITIATIVES RESERVE	-7,111,717	506,000	-6,605,717	-3,436,439
Property - Capital	SALEX FINANCE	-296,132.98	0.00	-296,132.98	
Property Services - Building Consultancy	RESER - UNDER/ OVER SPEND C/F	-54,203	0	-54,203	
Corporate Services	RESER - UNDER/ OVER SPEND C/F	-1,459,135	357,573	-1,101,562	
Total Corporate Services		-32,077,705	275,041	-31,802,663	-3,436,439
5 Communities					
Infrastructure	DLO SURPLUS / DEFICIT C/F	-38,335	0	-38,335	
Planning	COMMUNITY INFRASTRUCTURE LEVY	-1,205,335	-482,822	-1,688,157	
Planning	SERVICE INITIATIVES RESERVE	-140,268	0	-140,268	
Infrastructure	SERVICE INITIATIVES RESERVE	-500,000	0	-500,000	
Economic Development and Tourism	RESERVE - COMMUNITY REGEN FUND	-56,071	0	-56,071	
Economic Development and Tourism	SERVICE INITIATIVES RESERVE	-1,874	0	-1,874	
Planning	RESERVE - AREA FORUM	-40,064	0	-40,064	
Community and Leisure Services	RESERVES - CEMETERIES	-1,203,457	1,203,457	0	
Communities Directorate	SERVICE INITIATIVES RESERVE	-300,000	-1,200,000	-1,500,000	
Communities Directorate	RESER - UNDER/ OVER SPEND C/F	-516,596	215,315	-301,281	
Economic Development and Tourism	RESER - UNDER/ OVER SPEND C/F	-198	0	-198	
Trading Standards	RESER - UNDER/ OVER SPEND C/F	0	0	0	
Environmental Health	RESER - UNDER/ OVER SPEND C/F	0	0	0	
Total Communities		-4,002,200	-264,049	-4,266,249	0
6 Education & Lifelong Learning					
Education and Lifelong Learning	SERVICE INITIATIVES RESERVE	-1,651,359	-211,254	-1,862,613	
Education and Lifelong Learning	PFI SCHOOLS EARMARKED RESERVES	-1,093,924	0	-1,093,924	
Schools	RESERVES - DELEGATED SCHOOLS	-2,520,343	0	-2,520,343	
Education and Lifelong Learning	RESERVES LMS EARMARKED	-2,442,540	500,000	-1,942,540	
Education and Lifelong Learning	RESER - UNDER/ OVER SPEND C/F	-570,211	570,211	0	
Total Education and Lifelong Learning		-8,278,377	858,957	-7,419,420	0
7 Social Services & Housing					
Social Services	RESER - SOC SERV COMM ACTIVI	-71,509	29,845	-41,664	
Social Services	SERVICE INITIATIVES RESERVE	-1,336,216	526,044	-810,172	
Social Services	RESERVES HELD FOR PARTNERSHIPS	-2,828,594	651,044	-2,177,550	
Social Services	RESER - UNDER/ OVER SPEND C/F	-2,328,335	242,000	-2,086,335	
General Fund Housing	SERVICE INITIATIVES RESERVE	-460,107	0	-460,107	
General Fund Housing	RESER - UNDER/ OVER SPEND C/F	-206,062	0	-206,062	
Private Housing	RESER - UNDER/ OVER SPEND C/F	-108,756	0	-108,756	
Total Social Services		-7,339,580	1,448,932	-5,890,647	0
Grand Total		-118,524,268	-516,409	-119,040,677	-24,542,647