

South Ayrshire Council

**Report by Chief Financial Officer
to Cabinet
of 27 August 2024**

Subject: Review of General Services Reserves

1. Purpose

- 1.1 The purpose of this report is to undertake a review of the various committed balances currently held by the Council in General Services reserves and to recommend amounts for release back to uncommitted reserves.

2. Recommendation

2.1 It is recommended that the Cabinet:

- 2.1.1 considers the review of the General Services committed reserves position and approves the recommended release of £0.439m of committed funds to uncommitted reserves; and**
- 2.1.2 notes the receipt of £0.448m of funding in relation to the 2023-24 pay award that has been added to uncommitted reserves; and**
- 2.1.3 notes a revised total uncommitted reserve of £5.331m, which equates to 2.11% of current planned net expenditure.**

3. Background

- 3.1 The Local Authority Accounting panel Bulletin 99 - Local Authority Reserves and Balances states that:

Within the existing statutory and regulatory framework, it is the responsibility of chief finance officers (proper officer in Scotland) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

- 3.2 Local authorities are permitted to establish reserve funds as part of their responsibility for ensuring that sound financial management arrangements are in place. The purposes of reserve funds are as follows:

- 3.2.1 As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- 3.2.2 As a contingency to mitigate against the impact of unexpected events or emergencies; and

3.2.3 As a means of building up funds to meet known or anticipated future commitments.

3.3 The Council's Reserves Policy as most recently stated in the Long term Financial Outlook approved in October 2021, states that the Council should aim to maintain uncommitted reserves at a minimum of 2% of General fund net expenditure to meet the potential cost of unforeseen liabilities.

3.4 The level of reserves held were last formally reviewed in November 2022.

3.5 The Budget Management Out-turn Report 2023/24 presented to Cabinet in June 2024 identified an uncommitted reserves balance of £4.444m at the end of the 2023-24 Financial Year, as identified in Table 1 below:

Table 1

General Reserve	£m
Uncommitted funds	4.444
Committed funds	24.147
Total Reserves and Funds	28.591

3.6 As at 31 March 2024 the level of **uncommitted** reserves held equated to approximately 1.76% of annual budgeted net expenditure.

4. Proposals

4.1 The Council has previously established four earmarked funds 'set aside' or committed within the accumulated general fund reserve, totalling £8.532m at 31 March 2024, as detailed below:

4.1.1 **Workforce Change fund** - This fund is used mainly to meet the severance and other employee-related costs arising from the Council's Efficiency and Improvement and savings measures undertaken. At 31 March 2024 a balance of **£5.516m** was held;

4.1.2 **Transformation Fund (formerly the Efficiency and Improvement fund)** - The transformation of the Council is a long-term commitment to ensure services continue to meet the needs of residents now and in the future. To enable the Council to deliver the vision for transformation, new activity will require to be implemented. It is recognised that the design, development and implementation of this activity may require upfront investment to enable the realisation of benefits. New activity will require to focus on one or more of our priority themes: Our workforce, our technology, our assets and our delivery model. The Council has established a Transformation Fund to provide enabling funding for transformation activity. At 31 March 2024 a balance of **£1.162m** was held;

4.1.3 **Local Election Fund** – this fund is used to support expenditure associated with local Council elections. The Scottish Government provides some financial support to Councils for local elections but does not fully provide for all associated costs of running the election. The Council therefore requires to set aside funds to supplement government

funding. On expending the sums during each local election cycle the balance is reinstated in the following years from unallocated reserves up to the date on the next local election. At 31 March 2024, a **Nil** balance was held; and

4.1.4 **Affordable Homes** - this fund receives a proportion of the Council tax raised from second homes and is ring-fenced for the purchase or building of new social housing, either by the Council itself or local housing associations. At 31 March 2024 a balance of **£1.854m** was held in this fund. Resources will continue to be allocated to this fund on an annual basis from Council tax receipts.

4.2 In addition to the £8.532m of committed funds relating to the four previously established funds held, outlined in 3.1 above, the Council holds a number of earmarked balances within the General Services reserves which have been 'set aside' or committed based on previous decisions taken by Cabinet or Council. The total held at 31 March 2024, across the various balances, was £15.615m, as listed in the table below:

Table 2

Commitment	As at 31 March 2024 £m
2023/24 earmarking of underspend	2.616
Ash Tree dieback	0.312
Ayrshire Growth Deal	0.122
Community Halls Fund	0.573
Corporate Support capacity funding	0.226
Covid-19 reserves	1.714
Employability reserve	0.100
Golf Strategy	0.157
Inflation Reserve	0.041
Invest in South Ayrshire	0.200
Joint Ayrshire Civil Contingency reserve	0.123
Levelling up submission – additional capacity	0.125
PPP concession reserve	9.000
Station Hotel	0.306
Total Commitments	15.615

4.3 The commitment of £15.615m shown in Table 2 above, when combined with the balances held in the four specific funds listed in 3.1, totals the overall **committed reserve balance of £24.147m** as at 31 March 2024 (as shown in [Table 1](#)).

4.4 In addition to the brought forward funds identified in 4.2 and 4.3, as highlighted in 3.6 above, a further £4.053m has been set aside during 2024/25 relating to the

newly established Transformation Fund agreed contribution, approved as part of the 2024/25 budget.

4.5 Further detail on each of the above committed amounts is provided in [Appendix 1](#). The annex provides detail of:

- the opening balance as at 31 March 2024;
- the draws that have been made to date from each set aside amount as at 31 July 2024;
- new commitments made during 2024/25;
- the anticipated future draws either in the current financial year or future years;
- the amounts no longer required to remain within the committed element of general reserves due to the fact that they are no longer required or necessary; and
- the balances recommended to remain within committed reserves.

4.6 Table 3 below summarises the information detailed in [Appendix 1](#):

Table 3

Opening balance April 2024 £m	Draws to date £m	New commitment 2024/25 £m	Draws anticipated £m	Release to uncommitted £m	Remain committed £m
24.147	(6.922)	4.053	(20.839)	0.439	20.839

4.7 It should be noted that the total of 'Draws anticipated' of £20.839m shown in Table 3 is not the amount anticipated to be drawn before the end of this financial year, 2024/25, but the total amount expected to be drawn at some point in the future from the various amounts previously set aside.

4.8 As outlined in Table 3 at 4.6 above, it is recommended that £0.439m of the committed reserves be released back to uncommitted reserves due to it no longer being required for the purpose originally intended.

4.9 In addition to the releasing of committed funds, additional funding of £0.448m has been received from the Scottish Government, following final reconciliations of 2023-24 Employability spend, being the final contribution to the nationally agreed 2023-24 pay uplift. The actual cost in 2023-24 was previously met from reserves therefore the newly notified funding will be returned to reserves in 2024-25.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Uncommitted reserves will increase by £0.439m if the recommendations for releasing committed reserves to uncommitted reserves are agreed. In additional

uncommitted reserves will increase by a further £0.448m following receipt of the additional Scottish Government funding contribution related to the 2023-24 pay uplift.

- 6.2 When these two items are added to the current uncommitted reserves of £4.444m, this results in a total uncommitted reserve of £5.331m. This equates to 2.11% of current planned net expenditure.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

- 8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

- 8.2.1 There is a risk that by not adopting the recommendations resources will remain in committed reserve where they are no longer required and therefore cannot be used for other appropriate purposes.

9. Equalities

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

10. Sustainable Development Implications

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Chief Financial Officer will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	Due date	Managed by
Record for future reporting purposes the revised committed/ uncommitted resources position	31 August 2024	Chief Financial Officer

Background Papers **None**

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Date: **15 August 2024**

General Services Balances

1.1 The Council has a number of specifically earmarked reserves within the accumulated general fund reserve of £24.147m at 31 March 2024. The table below provides detail of each with a comment on the requirement for it to remain or not plus recommendations **(in bold)** for release if appropriate.

Commitment	Opening balance April 2024 £m	Drawn in 2024/25 £m	Newly committed 2024/25 £m	Draws anticipated £m	Comments	Recommend release to uncommitted £m	Recommend remains in committed £m
Workforce Change fund	5.516	-	-	(5.516)	Anticipated that the full remaining amount will be used to meet the severance and other employee-related costs arising from the Council's Transformation measures undertaken.	-	5.516
Transformation Fund (formerly the Efficiency and Improvement fun)	1.162	-	4.053	(5.215)	Anticipated that the full remaining amount will be used to meet current and future Council's Transformation programme measures undertaken.	-	5.215
Local Election fund	-	-	-	-	Funding will require to be committed to the fund prior to the local election in May 2026.	-	-
Affordable Homes fund	1.854	-	-	(1.854)	Council tax raised from second homes and ring-fenced for affordable homes.	-	1.854
2023/24 earmarking of underspend	2.616	(2.616)	-	-	Full amount drawn to support 2024/25 expenditure.	-	-

Commitment	Opening balance April 2024 £m	Drawn in 2024/25 £m	Newly committed 2024/25 £m	Draws anticipated £m	Comments	Recommend release to uncommitted £m	Recommend remains in committed £m
Ash tree dieback	0.312	-	-	(0.312)	Funding will be drawn once final expenditure confirmed.	-	0.312
Ayrshire Growth Deal	0.122	-	-	(0.122)	Funding set aside as SAC's contribution to the AGD Project Management Office. This commitment is continuing therefore the balance should remain committed. Will need augmented in future years.	-	0.122
Community Halls Fund	0.573		-	(0.500)	Since being established in June 2016 various requests have been brought forward approval. This remains a potential area of spend in future years to support Community asset Transfer projects. Partial release to uncommitted reserves.	0.073	0.500
Corporate Support capacity funding	0.226		-	(0.226)	Cabinet approved the creation of 11 temporary posts within the Corporate Support teams. Anticipating the funding will be utilised in full, although with increased timescales due to severe difficulties in recruiting staff due to market conditions.	-	0.226
Covid-19 reserves	1.714	-	-	(1.714)	Covid-19 funding allocated to directorates from reserves to mitigate ongoing cost and loss of income impact. Further draws anticipated.	-	1.714

Commitment	Opening balance April 2024 £m	Drawn in 2024/25 £m	Newly committed 2024/25 £m	Draws anticipated £m	Comments	Recommend release to uncommitted £m	Recommend remains in committed £m
Employability Reserve	0.100	-	-	(0.100)	This commitment has been superseded by the new national Local Prosperity Fund provided by the UK Government and therefore once the final drawdowns for the current scheme are actioned the remaining balance can be released to uncommitted reserves.	-	0.100
Golf Strategy	0.157	-	-	(0.157)	Funding set aside to address initial priority and health and safety issues within Golf. Plans still being progressed.	-	0.157
Inflation reserve	0.041	-	-	-	The majority of funding has been drawn already. Balance to be released to uncommitted.	0.041	-
Invest in South Ayrshire	0.200	-	-	-	No specific projects identified. Release to uncommitted.	0.200	-
Joint Ayrshire Civil Contingency reserve	0.123	-	-	(0.123)	Per 3 Ayrshire joint agreement amount set for future use re civil contingency purposes.	-	0.123
Levelling up submission – additional capacity	0.125	-	-	-	Funding set aside in 2021 to support the submission of bids to the newly established national Levelling up Fund. No draws anticipated	0.125	-

Commitment	Opening balance April 2024 £m	Drawn in 2024/25 £m	Newly committed 2024/25 £m	Draws anticipated £m	Comments	Recommend release to uncommitted £m	Recommend remains in committed £m
					therefore release to uncommitted reserves.		
PPP concession reserve	9.000	(4.000)	-	(5.000)	Agreed contributions towards budget in 2024-25 to 2026-27.	-	5.000
Station Hotel	0.306	(0.306)	-	-	Balance drawn down in 2024/25 through delegated powers	-	-
Total	24.147	(6.922)	4.053	(20.839)		0.439	20.839

- 1.2 It is anticipated that the amounts included within the 'Draws anticipated' column of £20.839m will not be fully drawn by the end of the 2024/25 financial year as many of the commitments will continue in to the future and cross multiple years. The exact amount will not be known until the final close down of the accounts which will be reported to Cabinet as part of the final year end Budget Management Report.

South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

1. Policy details

Policy Title	Reserves
Lead Officer (Name/Position/Email)	Tim Baulk, Chief Financial Officer – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	YES NO
Rationale for decision: This report undertakes a review of the various committed balances currently held by the Council in General Services reserves and recommends amounts for release back to uncommitted reserves. Members' decision on this has no specific equality implications	
Signed: Tim Baulk Date: 16 July 2024	Chief Financial Officer