

**South Ayrshire Council**

**Report by Head of Finance, ICT and Procurement  
to Cabinet  
of 29 November 2022**

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**Subject:        Review of General Services Reserves**

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**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 considers the review of the General Services committed reserves position and approves the recommended release of £0.633m of committed funds to uncommitted reserves.**

**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 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 reviewed in February 2019. At 31 March 2022 the Council held a total of £39.877m in general reserves as follows:

**Table 1**

<b>General Reserve</b>	<b>£m</b>	<b>£m</b>
Uncommitted		5.943
Committed funds		
General	19.852	
Covid-19	14.082	33.934
<b>Total Reserves and Funds</b>		<b>39.877</b>

3.5 As at 31 March the level of **uncommitted** reserves held equated to approximately 2.72% of annual budgeted net expenditure.

3.6 The Budget Management Report 2022/23 – Period 3 presented to Cabinet in August 2022 identified a projected uncommitted reserves balance of £5.055m prior to any further draws for the 2022-23 Financial Year. Since that time further commitments of £0.383m, as detailed in 4.4 below, have been agreed by Council or Cabinet. This reduces the uncommitted reserve balance to £4.672m or 2.1% 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 £4.257m at 31 March 2022, 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 2022 a balance of **£1.126m** was held;

4.1.2 **Efficiency and Improvement fund** - In order to re-design and develop service provision to be more efficient and effective, proposals may require up-front investment in new technology, additional temporary staffing arrangements or the introduction of alternative work patterns etc. to enable the Council to secure efficiencies or maximise income in the longer term (i.e. ‘Spend to Save’). This fund is used to provide short-term enabling funding to assist in short term redesign arrangements. At 31 March 2022 a balance of **£1.490m** 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 2022 a balance of

**£0.159m** was set aside as an initial contribution to the local election in 2022; 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 2022 a balance of **£1.482m** 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 £4.257m 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 Leadership Panel or Council. The total held at 31 March 2022, across the various balances, was £29.677m, as listed in the table below:

**Table 2**

<b>Commitment</b>	<b>As at 31 March 2022 £m</b>
2022/23 Budget contribution	3.346
2021/22 Budget contribution	0.200
Joint Ayrshire Civil Contingency reserve	0.097
Transform South Ayrshire	(0.050)
Invest in South Ayrshire	0.200
Community Halls Fund	0.633
Corporate Support capacity funding	0.806
Levelling up submission – additional capacity	0.125
Golf Strategy	0.500
Station Hotel consultant	0.025
Station Hotel encapsulation	0.590
2021/22 earmarking of underspend	7.809
Prestwick Airport support	0.060
Ayrshire Growth Deal	0.269
Glenburn temporary accommodation contribution	0.001
European Social Fund/Employability reserve	0.958
Ayr Renaissance – Town development plan	0.026
Covid-19 reserves	14.082
<b>Total Commitments</b>	<b>29.677</b>

4.3 The commitment of £29.677m 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 £33.934m** as at 31 March 2022 (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 two amounts totalling £0.383m have been set aside during 2022/23:

- Chief Officers/Council structural changes – £0.300m; and
- Additional public holiday – £0.083m.

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

- the opening balance as at 31 March 2022;
- new commitments made during 2022/23;
- the draws that have been made to date from each set aside amount as at 30 September 2022;
- 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**

<b>Opening balance April 2022 £m</b>	<b>New commitment 2022/23 £m</b>	<b>Draws to date (Sept 2022) £m</b>	<b>Further draws anticipated £m</b>	<b>Release to uncommitted £m</b>	<b>Remain committed £m</b>
33.934	0.383	(23.827)	(9.857)	(0.633)	9.857

4.7 It should be noted that the total of 'further draws anticipated' of £9.857m shown in Table 3 is not the amount anticipated to be drawn before the end of this financial year, 2022/23, 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 £0.633m of the committed reserves be released back to uncommitted reserves due to it no longer being required for the purpose originally intended.

## **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 £0.633m if the recommendations are agreed. When added to the current updated projected uncommitted reserves of

£4.672m, this results in a total uncommitted reserve of £5.305m. This equates to 2.38% 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 Head of Finance, ICT and Procurement 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:

<b>Implementation</b>	<b>Due date</b>	<b>Managed by</b>
Record for future reporting purposes the revised committed/ uncommitted resources position	31 December 2022	Head of Finance, ICT and Procurement

**Background Papers**    **None**

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**Date:**    **18 November 2022**

## Appendix 1

### General Services Balances

1.1 The Council has a number of specifically earmarked reserves within the accumulated general fund reserve of £33.934m at 31 March 2022. 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 2022 £m	Newly committed 2022/23 £m	Draws during 2022-23	Further draws anticipated £m	Comments	Recommend release to uncommitted £m	Recommend remains in committed £m
Workforce Change fund	1.126	-	-	(1.126)	Anticipated that the full remaining amount will be used to meet the severance and other employee-related costs arising from the Council's Efficiency and Improvement measures undertaken. May require to be augmented in future years.	-	1.126
Efficiency and Improvement fund	1.490	-	(0.051)	(1.439)	Anticipated that the full remaining amount will be used to meet current and future Council's Efficiency and Improvement measures undertaken. May require to be augmented in future years.	-	1.439
Local Election fund	0.159	-	-	(0.159)	Funding will be drawdown once final cost of the May 2022 local election have been confirmed. Will likely be augmented in future years and used to support expenditure associated with future local elections.	-	0.159

<b>Commitment</b>	<b>Opening balance April 2022 £m</b>	<b>Newly committed 2022/23 £m</b>	<b>Draws during 2022-23</b>	<b>Further draws anticipated £m</b>	<b>Comments</b>	<b>Recommend release to uncommitted £m</b>	<b>Recommend remains in committed £m</b>
Affordable Homes fund	1.482	-	-	(1.482)	Council tax raised from second homes and ring-fenced for affordable homes.	-	1.482
2022/23 Budget contribution	3.346	-	(3.346)	-	Full amount drawn to support 2022/23 expenditure.	-	-
2021/22 Budget contribution	0.200	-	-	-	Set aside for specific purpose but no longer required as cost met by the Capital programme instead.	0.200	-
Joint Ayrshire Civil Contingency reserve	0.097	-	-	(0.097)	Per 3 Ayrshire joint agreement amount set for future use re civil contingency purposes.	-	0.097
Transform South Ayrshire	(0.050)	-	-	-	Overdrawn funds re legacy projects progressed with no further commitments anticipated. Reserve to be reimbursed.	(0.050)	-
Invest in South Ayrshire	0.200	-	-	(0.200)	No specific timeline or purpose as yet agreed however anticipated that projects will be brought forward in due course.	-	0.200
Community Halls Fund	0.633	-	(0.060)	(0.573)	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. £0.060m drawn during 2022-	-	0.573



<b>Commitment</b>	<b>Opening balance April 2022 £m</b>	<b>Newly committed 2022/23 £m</b>	<b>Draws during 2022-23</b>	<b>Further draws anticipated £m</b>	<b>Comments</b>	<b>Recommend release to uncommitted £m</b>	<b>Recommend remains in committed £m</b>
					23 to date. May require to be augmented in future years.		
Corporate Support capacity funding	0.806	-	(0.070)	(0.736)	Cabinet approved the creation of 11 temporary posts within the Corporate Support teams in Oct 21. Anticipating the funding will be utilised in full, although with increased timescales due to severe difficulties in recruiting staff due to market conditions.	-	0.736
Levelling up submission – additional capacity	0.125	-	-	(0.125)	Funding set aside to support the submission of bids to the newly established national Levelling up Fund. Two initial bids submitted in 2022-23 with funds of circa £0.050m to be drawn down. Balance to be retained to support future year bids.	-	0.125
Golf Strategy	0.500	-	-	(0.500)	Funding set aside to address initial priority and health and safety issues within Golf. Plans still being progressed.	-	0.500
Station Hotel consultant	0.025	-	(0.025)	-	Funding set aside to meet the cost of a consultant to advise the Council on the required work to make the building permanently safe. This funding has been drawn down during 2022-23.	-	-
Station Hotel – encapsulation costs	0.590	-	-	(0.590)	Funding set aside to meet costs of encapsulation up to December 2022.	-	0.590

<b>Commitment</b>	<b>Opening balance April 2022 £m</b>	<b>Newly committed 2022/23 £m</b>	<b>Draws during 2022-23</b>	<b>Further draws anticipated £m</b>	<b>Comments</b>	<b>Recommend release to uncommitted £m</b>	<b>Recommend remains in committed £m</b>
2021/22 earmarking of underspend	7.809	-	(7.809)	-	Full amount drawn to support 2022/23 expenditure	-	-
Prestwick Airport support	0.060	-	-	-	The funding was set aside in 2015/16 and was not utilised at that time. This has since been superseded by the AGD and other initiatives therefore is not required.	0.060	-
Ayrshire Growth Deal	0.269	-	-	(0.269)	Funding set aside as SAC's contribution to the AGD Project Management Office. This commitment is continuing therefore the balance should remain committed. May need augmented in future years.	-	0.269
Glenburn temporary accommodation contribution	0.001	-	-	-	This commitment has now ceased. Remaining residual balance not required.	0.001	-
European Social Fund	0.958	-	-	(0.562)	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.	0.396	-

<b>Commitment</b>	<b>Opening balance April 2022 £m</b>	<b>Newly committed 2022/23 £m</b>	<b>Draws during 2022-23</b>	<b>Further draws anticipated £m</b>	<b>Comments</b>	<b>Recommend release to uncommitted £m</b>	<b>Recommend remains in committed £m</b>
Ayr Renaissance – Town development plan	0.026	-	-	-	This initiative completed a number of years ago with no further funding commitment required.	0.026	-
Covid-19 reserves	14.082	-	(12.466)	(1.616)	Covid-19 funding allocated to directorates from reserves to mitigate ongoing cost and loss of income impact. Further draws anticipated.	-	1.616
2022-23 - Chief Officers/Council structural changes	-	0.300	-	(0.300)	Funding will be drawn once final expenditure confirmed,	-	0.300
Additional public holiday - Queen Elizabeth II	-	0.083	-	(0.083)	Funding will be drawn once final expenditure confirmed	-	0.083
<b>Total</b>	<b>33.934</b>	<b>0.383</b>	<b>(23.827)</b>	<b>(9.857)</b>		<b>0.633</b>	<b>9.857</b>

- 1.2 It is anticipated that the amounts included within the 'further draws anticipated' column of £9.857m will not be fully drawn by the end of the 2022/23 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 Leadership Panel 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, Head of Finance, ICT and Procurement – 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)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> 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

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<p style="text-align: center;"><del>YES</del></p> <p style="text-align: center;"><b>NO</b></p>
<b>Rationale for decision:</b>  <b>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</b>	
<b>Signed :</b> Tim Baulk	<b>Head of Service</b>
<b>Date:</b> 7 November 2022	