

Meeting Cabinet
Council

Date: 19 January 2021

Date: 4 February 2021

Wards Affected: All Wards

Report Title: Review of Reserves 2021/22

Is the decision a key decision? No

When does the decision need to be implemented? n/a

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1. Purpose

- 1.1. The Council holds a number of reserves as part of its approach to maintaining a sound financial position, protecting the Council to some degree from volatility in its budget going forward. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992 which requires councils to “have regard” to the level of reserves needed to meet future expenditure when calculating a budget. Part of sound financial management is to assess the adequacy of these reserves and release those reserves no longer required.

2. Proposed Decision

- 2.1. That, in support of the 2021/22 budget setting process, Council note the Council’s reserves position.

3. Reasons for Decision

- 3.1. A Review of Reserves is a key part of the Council’s budget setting process. Consideration of reserve levels is linked to legislation for budget setting contained in both the Local Government Acts of 1992 (section 31A & 42A) and 2003 (section 25) and linked to section 114 of the Local Government Finance Act 1988.
- 3.2. The Council is facing significant financial uncertainty as a result of Covid-19 and, in the longer term, from uncertainty over future council funding levels.
- 3.3. Collection of Council Tax and Business Rates (NNDR) has suffered as a result of Covid-19 with figures as at quarter two indicating a shortfall in collection of £5.2m. The Government have allowed Council’s to spread the losses relating to 2020/21 over 3 years. The impact of this over the next three years will be funded within the 2021/22 budget and from a 2020/21 carry forward service underspend which has been earmarked for this purpose.
- 3.4. The Council’s unallocated (general) reserve levels are at a low level as in recent years to

offset overspends within Children's Social Care. This year, the forecast revenue underspend will be used, in part, to increase the General fund to £5.6m which is approx. 5% of the Council's net budget (which is in line with recommended levels). This increase is a prudent action with the financial uncertainty facing the Council.

- 3.5. The CSR reserve including a COVID reserve will exceed the previous £3m target level as at March 2021 and the target balance of £3m will be continued.
- 3.6. In 2020/21 spend in Children's Social Care is expected to underspend by £4m and as a result the budget is being rebased for 2021/22 based on the most recent placement monitoring and sufficiency strategy. This improvement is welcome, albeit represents a risk that should spend start to rise again at levels seen in recent years, there is limited funding within the CSR Reserve and the General Fund reserve to meet this. Future increases in spend similar to those seen in previous years would be a major concern for the Council as Children's Services represents approx. 40% of the Council's budget.
- 3.7. As a result of the level of general reserves it remains an option for the Council to approve prudential borrowing of up to £3m to fund items in the capital plan that were intended to be funded from revenue or reserves. This results in ongoing borrowing costs which will need to be included in future year budgets, but would give a boost to reserves. This funding could be added to both the General Fund Reserve and the Comprehensive Spending Review Reserve. This will then provide a higher level of mitigation for the Council by increasing the general fund reserve and increase the Comprehensive Spending Review Reserve to above minimum target levels. This option can be taken by Council in year if financial issues materialise in 2021/22 or could be taken in future years.
- 3.8. The total balance of reserves is adequate, however it needs to be recognised that an examination of the individual reserves shows the majority of reserves where the balance is ring fenced, links to a partner or is for a specific future funding issue or a specific future risk, therefore the flexibility to use those reserves to apply to an overspend position is limited.
- 3.9. The other significant reserve risk the Council is holding is in relation to the increasing deficit balance on the Dedicated Schools Grant (DSG) due to higher demand and cost in relation to children who require additional support. The "negative reserve" is expected to be £6.4m by the end of 2021/22 and based on current projections will reach £8.9m by the end of 2023/24. The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded from DSG in future years and is therefore not a cost that the Council has to fund. This position was confirmed legally by the School and Early Year Finance (England) Regulations 2020. However, it is unclear how the DfE intend to ultimately resolve this issue, therefore this is still an underlying, unfunded risk.
- 3.10. Due to the significant financial risks facing the Council in 2021/22 as a result of the prolonged effect of Covid-19 and possible risks in future years it is essential that the Council's reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget. Following previous Review of Reserves and the Medium Term Financial Plan, it is recommended that, as a result of the level of current and previous year budget variations, to continue the target to maintain the balance of the CSR Reserve at a minimum of £3m.
- 3.11. In addition to the possible rises in demand pressures and cost for social care, the future financial risks facing the Council are compounded by the uncertainty around future funding due to the autumn 2020 budget being cancelled and the four year spending review being reduced to a one year settlement. Torbay's provisional funding allocation was confirmed in December 2020. The 2021/22 allocation was a one year "roll over" settlement with one off funding allocated to support the financial impacts of Covid-19 on the Council
- 3.12. In the absence of clarity from central government, Councils, including Torbay, will inevitably aim to mitigate against that uncertainty. Uncertainties for Torbay Council include:
 - Impact of Spending Review 2021 in 2022/23 onwards which will include the funding of the national financial impact on the nation's finances of Covid-19

- Impact on new funding formula for Councils in 2022/23 (at the earliest)
- Ending of New Homes Bonus Grant in 2021/22
- Unconfirmed allocations for specific grants such as Improved Better Care Fund, Flexible Housing Grant and Troubled Families for 2022/23
- Impact of relative resource (council tax and service) equalisation in 2022/23 (at the earliest)
- Impact of the new 75% NNDR retention scheme in 2022/23 (at the earliest)
- Impact of the revised NNDR baselines in 2022/23 (at the earliest)
- Future funding of Higher Needs Block in new schools funding formula
- Future value of contract for Adult Social Care in 2023/24

- 3.13. The Council has undertaken decisions that have a higher level of risk associated with them. This includes the Investment Fund (purchases now stopped) and both affordable and extra care housing where the Council is investing a significant amount funded by prudential borrowing via its subsidiary company Torvista. Whilst significant business case analysis and due diligence of proposals is undertaken for each and every initiative, there is always a risk that the projects will not deliver the income required to cover the “fixed” costs of the borrowing. These more commercial activities carry a higher level of risk and reward which is linked to changes in income streams (such as rent) and also fluctuations in the values of any underlying assets.
- 3.14. In addition the Council owns 100% of SWISCo, the TDA Group of companies including Torvista, TEDC Developments, C&A Consultancy and Complete Cleaning Solutions and the effective control of the Riviera International Conference Centre. There are inevitably risks associated with those companies.
- 3.15. Council is reminded again of the advice previously given by the Chief Finance Officer, that reserves should not be used for supporting ongoing recurring expenditure. Use in that way is not financially sustainable as reserves can only be spent once.

4. Chief Finance Officer Statement.

- 4.1. The Council is continuing to face financial challenges. I am satisfied that the Council’s General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council’s Financial Plans for 2021/22 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.
- 4.2 I fully support the prudent increase in the general fund reserve to a level close to 5% of the Council’s net revenue budget and the prudent earmarking of reserves to support potential Covid-19 issues and the three year impact of the 2020/21 collection fund deficit.
- 4.2. My statement for 2021/21 has to be caveated due to the ongoing uncertainty around Covid-19. I would hope that financial support and grant funding provided by Central Government during 2020/21 would continue at a proportionate level in 2021/22 to mitigate any ongoing financial pressures as a result of Covid-19. So far the Government have indicated support continuing until June 2021 including a tranche of COVID funding for 2021/22.
- 4.3. The adequacy of the Council’s reserves can be supported if the following actions are undertaken:
- a) The 2021/22 budget plans for an increase to the CSR reserve to achieve a minimum ongoing balance of £3m over the next two years,
 - b) That the Council maintains the focus on social care, both adults and childrens, as the biggest financial risks to the Council to deliver the identified improvements supported by a robust financial recovery plan and the sufficiency strategy,
 - c) That Council recognises the option of using borrowing to fund capital plan to enable an increase to reserve levels by £3m if needed.

At this stage with the significant uncertainty in relation to central government funding for 2022/23 I am currently only able to provide limited assurance in relation to 2022/23. I recommend, however, that the Council continues to be prudent in its use of reserves and plans for future risks and their mitigation. These to include:

- Establishing and maintaining a balance on CSR reserve of £3m
- Protection to current level of General Fund Reserve
- No general reserves used to balance 2021/22 or future year budgets
- Specific material risks still mitigated for – e.g insurance, NNDR volatility and investment fund
- Regular updates and awareness of the risks identified in the Medium Term Resource Plan
- That the Council continues to delivers its transformation programme at pace in medium term
- Continued focus on reducing spend in children's' social care
- That work continues on the Adult Social Care improvement plan which is vital to securing a sustainable Risk Share Agreement from 2023/24

4.4 For more detailed information on this proposal please refer to the supporting information attached.

Sean Cremer
Deputy Chief Finance Officer

Supporting information

A1. Introduction

A1.1 A Review of Reserves is part of the Council's annual budget process.

A2 Review of Reserves 2021/22

A2.1 Overview

A2.2 As at 31/03/2020 Torbay Council's reserves were as follows:-

<u>Reserves</u>	Balance as at at 31/3/20	Forecast Balance as at at 31/3/21
	£'000	£'000
General Fund Reserve	4.6	5.6
Earmarked Reserves		
Comprehensive Spending Review including Covid-19	2.2	3.2
Capital Reserves	2.3	1.4
School Related Reserves – Note this is a negative reserve	(3.8)	(6.4)
Partner/Ring Fenced Reserves	4.6	4.3
Specific issues	9.6	12.4
Investment Fund	2.1	1.9
Grants - received not yet spent	13.5	8.1
NNDR section 31 grant for Retail, Leisure & Hospitality Relief	0	12.0
Subtotal Earmarked Reserves	30.5	35.8
TOTAL RESERVES	35.1	42.5

A2.3 From the table above the negative balance of school related reserves is linked to the forecast higher needs deficit of £6.4m which is contained within the dedicated schools grant.

A2.4 A list of the Council's Reserves is attached in Appendix 1.

A2.5 This year due to the reduced spend associated with Children's Social Care the Council is able to increase both its General Fund Reserve and Comprehensive Spending Review Reserve.

A2.6 As outlined in the paragraph above, given the uncertainty facing the Council it is clear that the Council needs to mitigate and plan for variations in income as well as expenditure.

A2.7 To be able to meet future years' budgets it is essential that the Council progresses and achieves its redesign programme, a continued focus on the cost of Looked After Children and a focus on the mitigation of future increases in the cost of adult social care.

A2.8 Each reserve has been assessed for its estimated balance as at 31st March 2022 and for the estimated additions or withdrawals from the reserve during 2021/22 and future years. This is included in the table at Appendix 1.

A2.9 The level of reserves is expected to increase by £7m during 2020/21 before reducing by £23m in 2021/22. The actual balance at year end will depend on spend during the year and any year end service carry forwards from unspent revenue funds and/or unspent grant allocations which usually results in higher reserve levels than predicted.

A2.10 It must be noted that due to the accounting on the Collection Fund the reserves are inflated by £12m as at end of 2020/21 with this reserve balance “reversing” in 2021/22. This relates to the timing difference between the grant funding of the 2020/21 retail, leisure and hospitality 100% reliefs and the following financial year that the impact has to be accounted in. If MHCLG change the guidance on the accounting for this relief then the council will reflect that change in its accounts.

A2.11 Adults Social Care

A2.12 A three year agreement was signed in 2020 which will expire in 2023/24. This agreement between the Integrated Care Organisation (ICO) and Clinical Commissioning Group (CCG) and the Council provides a “fixed” annual payment in exchange for no exposure to the risk of changes in cost. This therefore reduces the exposure to financial risk on this service to nil. Given the impact of Covid-19 the work of the Adult Social Care improvement board is integral to mitigating the risk of future increases wherever possible.

A2.13 Children’s Social Care

A2.14 Following significant investment in the service the financial position for Children’s Social care has improved. The service is forecast to underspend by £4.0m in 2020/21 which represents a decrease in actual spend from 2019/20 to the 2021/22 forecast in excess of £2m.

A3.0 Guidance on the Management of Reserves

A3.1 The CIPFA guidance on reserves was updated with the introduction of the CIPFA Financial Management Code of Practice in 2020.

A3.2 The Code stated that:

- The aim of reserves is to provide funding for investment in future activities and to act as a safety net in case of short term financial challenges
- Using reserves to fund otherwise unsustainable services or to defer the need to make difficult decisions about service delivery is to be avoided
- The Council should have a policy on the level of reserves it wishes to retain and how these reserves may be used
- The Council should be able to demonstrate that it has used its reserves only for investment in future activities or in the implementation of savings plans rather than to plug funding gaps in the delivery of services

A3.3 In undertaking a detailed annual review of reserves that is presented to Council, Torbay Council is largely complying with the CIPFA guidance.

A3.4 It is important to differentiate between general and uncommitted reserves and reserves held for a specific purpose. It is only the general and uncommitted reserves that could be used to support “short term costs”. As shown in the table above, as at 31st March 2020 the Council’s uncommitted reserves were part of the Comprehensive Spending Review reserve and the Council’s general fund balance which is discussed later. The Council does not have a large value of unallocated reserves compared to its overall budget or compared to the value of budget reductions required over the next few years or compared to the value of the in-year budget variances in social care over the past few years.

A3.5 The Chief Finance Officer is reluctant to use any reserve funds, which can only be spent once, to support ongoing expenditure as this is not financially sustainable, as it only delays the impact of the required budget reductions.

A3.6 This position taken by the Chief Finance Officer is similar to CIPFA guidance which says “Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an

explanation given as how such expenditure will be funded in the medium to long term”.

A4 Earmarked Reserves

A4.1 The following paragraphs make specific comments on a number of reserves. A summary of each reserve and their purpose is included as Appendix Two.

A4.2 Comprehensive Spending Review Reserve

Due to the significant financial risks facing the Council in 2021/22 and future years it is essential that the Council’s reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget.

As part of the 2021/22 budget proposals £1.6m will be allocated to the CSR reserve in addition to the annual £0.5m budgeted contribution. However given the levels of budget variation the Council has experienced in recent years, the minimum target reserve level should still be £3m. The contribution of £0.5m with additional contributions in future years will help to provide a higher level of risk mitigation for the Council.

A4.3 Dedicated Schools Grant Reserves

The reserve for Dedicated Schools Grant is estimated to be “negative” by £6.4m by the end of 2020/21 with a projected increase in deficit of £2.5m in 2021/22 to £8.9m. Funding for schools activities are primarily funded through the dedicated schools grant (DSG). The Council does not receive any schools funding within its own grant and funding allocations. This grant is allocated in “blocks” to cover different activities.

The higher needs block has in the recent years have been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children resulting in a cumulative over spend.

The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded from DSG in future years. This overspend is therefore not a cost that the Council has to fund. This position is now confirmed by the School and Early Year Finance (England) Regulations 2020.

The ongoing use of a negative reserve which is likely to increase in future years is currently a significant financial risk that needs to be highlighted to Members.

A4.4 Investment Fund Reserve

The Council has now invested over £235m in investment property and capital loans with a historic approval to invest another £69m. However, in March 2020 HM Treasury started a consultation on future PWLB borrowing terms which would, in effect, prohibit the use of PWLB Borrowing to fund any future purchases of this type, known as “debt for yield”. At the same time CIPFA issued a statement that the intent of the consultation should be adhered to with immediate effect and applied to all forms of borrowing not just PWLB. The conclusion of this consultation is that Councils will be prohibited from accessing PWLB borrowing if their capital plan contains future investment. As a result the Council is no longer seeking such assets to purchase.

A4.5 Insurance Reserve

The expected balance as at March 2021 for the insurance reserve is £3.2 million. The Council’s insurance manager in consultation with the Chief Finance Officer reviews the earmarked amounts on an annual basis and takes advice from an insurance actuary to ensure the adequacy of the reserves. The market and therefore the cost of insurance is noticeably “harder” than in future years which is likely to increase the annual costs of insurance cover.

The Council currently has a strong low risk profile based on its claims history however this could be adversely affected if the Council incurs a number of higher cost claims. Given the potential long lead in time for certain insurance claims, such as those relating to social care and certain types of industrial diseases, any shortfall in this reserve may not be realised for a number of years. This reserve will require careful monitoring of the impact of future liabilities on a regular basis.

A new insurance risk arising from the purchase of investment properties is to ensure that these properties are adequately covered. This cost under the lease is met by the tenants. Insurance related risks for the Council companies such as TDA group and SWISCo are funded by those companies.

A5 Review of Provisions, other Potential Liabilities and potential risk from Council Companies

All companies owned by the Council are ultimately part of the Council's overall (consolidated) financial position and as CIPFA states that "the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest".

The TDA, 100% owned by the Council, has now established or purchased further companies including housing companies (Tor Vista and TEDC Developments), Kings Ash Holdings and C&A Consultancy.

New companies have been established for the re provision of services previously provided by TOR2 (SWISCO) and the Medical Tuition Service (Torbay Education Limited) which is establishing an independent school providing specialist tuition for students unable to attend mainstream school for medical reasons.

As the number of council subsidiary companies and the range of activities they undertake expand, as these companies are owned by the Council therefore the Council must ensure it reviews the Companies performance.

In addition to earmarked and general reserves the Council also holds provisions, where appropriate, for issues where the Council has a clear liability which is likely to result in a payment but the amount and timing of the potential payment is uncertain. The council also holds provisions for future issues mostly in relation to insurance claims where the "time lag" on claims being notified and settled is often over one year and a provision for NNDR appeals. The Council gains or loses a 49% share of any movements in NNDR.

A6 Collection Fund

The Collection Fund Adjustment Account (formally Collection Fund Reserve) is slightly different from all other reserves and includes both Council Tax and NNDR. For Council Tax, legislation requires any balance (surplus or deficit) to be applied at the next Council Tax setting to the three major precepting authorities (Torbay, Devon & Cornwall Police Authority and Devon and Somerset Fire Authority). (Note Brixham Town Council as a minor precepting body does not bear any share of surplus or deficit).

For NNDR, as a result of the introduction of the new Local Government funding arrangements from April 2013, the Council bears a 49% share of the risk and reward of changes in the level of National Non Domestic Rate income. Changes from the Council's initial National Non Domestic Rate income estimate arising from changes in yield and collection will now also result in a Collection Fund surplus or deficit. The Council's share of any surplus or deficit will impact on the forthcoming year. The Council holds a NNDR equalisation reserve to help smooth the volatility of income, set at 5% of the Council's annual NNDR retained income under a 49% retention scheme.

Estimates of future year surpluses or deficits are included in the Budget Setting process and reflected in the Medium Term Resource Plan.

The economic impact of Covid-19 has had a significant impact on the collection of council tax in 2020/21 and is expected to continue to have an impact in 2021/22 which has been reflected in the Council's 2021/22 budget setting.

The Council has been prudent in establishing in 2020/21 an earmarked reserve to support the 2020/21 collection fund deficit which will be spread over three years. As a result the Council in future years will not have to make service reductions to fund this shortfall.

A7 Pensions and Loans (Non Treasury Investments)

Pensions: The Council has provided a number of guarantees in respect of pensions when staff have transferred from the Council's employment to an alternative supplier who has set up a LGPS pension scheme as an "admitted body". These are not guarantees to the supplier but to the pension fund in the event of the insolvency of the supplier. In the exceptional case of the pension liability being realised it is likely the liability will be transferred to the Council's own pension liability which will be reflected in future employer contribution rates. As such, under accounting standards (IFRS), these are accounted for as insurance contracts.

Loans: The Council has provided a number of loans to the private sector and to its subsidiary companies. If a loan defaults or under the "expected loss" model of assessing the fair value of a loan then the loss will be charged to the council's revenue budget in the year the loss is recognised. The value of the Council loans is now significant – including £2.8m to TDA, £9m to That Group for Torwood Street and £4m to South Devon College with a potential further £25m loan to Torvista. At year end the Chief Finance Officer will assess each loan for actual or potential "expected losses" and will make a charge to revenue in year or set aside funds as a "bad debt" provision as required.

Investment Properties: The Council has purchased a number of investment properties. Risk and reserve management of these is discussed above.

A8 General Fund Reserve - Risk Assessment and Sensitivity/Scenario Appraisal

The Council intends to increase its General Fund Reserves to £5.6 which is approx. 5% of the Council's net 2021/22 budget. Despite this prudent increase this level of "unallocated financial reserves" is relatively low compared to other unitary Council's.

The CIPFA guidance on reserves does not recommend a minimum level of reserves. It states that "Local Authorities should make their own judgments on such matters taking into account all the relevant local circumstances which will vary between Authorities". CIPFA also state that "a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of reserves".

A risk assessment of all budgets suggested that the maximum overspend in any year, if all services were subject to adverse pressures and where there isn't any specific service related earmarked reserve, would be £10.9m million or 9% of 2021/22 draft net revenue budget. An estimate should be added to reflect any, as yet unknown, in year budget pressures, potential Bellwin scheme claims (emergency planning), to reflect the financial risks inherent in any significant new partnerships such as Torvista and SWISCo, investments, funding changes, outsourcing or capital developments, say £1.0 million. This would result in a required General Fund reserve of £11.9 million or 10% of net budget. The revised level of General Fund Reserve will cover just under 50% of this sum.

The risk above has been mitigated as the council has a fixed payment to for Adult Social care. This fixed payment does remove volatility from the second largest budget/service the Council has. However if this fixed payment does not exist, say after the contract period, then the Council will again be exposed to the risk of volatility of both demand and cost in this key service. In addition the challenges of achieving the ongoing significant budget reductions from central government create a major risk of budget variations.

A prudent risk based approach to budget setting and reserve levels will have mitigated some risks of an overspend. It is vital that the improvement plans continue to yield results within both Adults and Children's Social Care and the medium term financial strategy for this service is delivered to reduce the levels of (financial) risk around this service.

However it is unlikely that all budgets will be adversely affected in the same year or that there will be no under spending arising from savings or additional income. Therefore the General Fund Reserve should be equal to 50% of the total assessed risk in any financial year (which equals to 5.1% of estimated 2020/21 net revenue budget). This for 2021/22 will result in a required general fund reserve balance of £5.9 million. The proposed increase to the General Fund moves the reserve to within £0.2m of this target.

The 2021/22 budget to be presented in February 2021 to Members will also include an assurance statement from the Chief Finance Officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the Local Government Act 2003.

A9 **Capital Investment Plan**

It is assumed that in the circumstances of a significant overspend within the Council's capital programme this will be covered by alterations to the timing of the Council's capital investment plan; use of the capital contingency or from additional borrowing within the Council's approved Prudential Indicators. Any additional borrowing costs would have to be met from the Council's revenue budget.

The Council's capital plan has a contingency of £0.6 million. It should be noted that all capital projects should also have contingencies within the individual project costs.

A10 **Comparison with Other Councils:**

The Local Government Association holds statistical data for all Councils. This includes an indicator of the "unallocated reserves balances" for unitary councils. Torbay's general fund reserve remains low when compared to other Council's, although the increase in the reserve is both prudent and welcome.

A11 **Governance of Reserves.**

Appendix 1 shows the projected balances of the reserves at the end of the current financial year and future years. These balances are based upon planned levels of spending. In the event of any unplanned expenditure occurring in the financial year current Standing Orders and Financial Regulations will apply.

The Reserves will continue to be reported as part of the Council's Statement of Accounts and subject to this annual review and challenge as part of the budget process by both members and senior officers. Councillors should consider the Council's General Fund Reserve as part of the annual budget setting process. Any quarterly reporting of issues relevant to earmarked reserves will be on an exception basis.

Schools reserves are part of the delegated schools funding and these reserves remain at the discretion of the Head Teachers and Governing Bodies.

A12 **Risk assessment of preferred option**

Outline of significant key risks

It is important that the issues raised in this report are considered by Members and appropriate action is taken, where necessary, to ensure that the Council has adequate reserves in the short and medium term. Failure to consider the issues raised within this report and take appropriate action could result in the Council having insufficient reserves that could adversely

impact on the revenue budget and the longer term financial viability of the Council.

The major risks facing the Council at present are the uncertainty of the Council's future funding from 2021/22 onwards and the ongoing financial pressures from both Children's social care and, in the longer term, adults' social care.

As a guide to higher costs in the longer term from changes in demand from the demographic profile of Torbay, the following table shows the ONS estimated population changes in Torbay over the next 10 years.

Age Group	2020 000's	2025 000's	2030 000's	10 year Change 000's	10 year Change %
Up to 4	7	7	7	0	0
5 to 17	22	23	23	1	5
18 to 64	71	71	69	(2)	(3)
65 to 79	27	28	30	3	11
80 and over	10	12	15	5	50
Total Population	137	141	144	7	5

The table shows that there is likely to be decline in the working age population over 10 years with increases on both school age and over 65's. It is the rise in over 65's and within that the increase in the over 80 population that is likely to result in significantly higher social care costs in the longer term. It is essential that the Council has a long term plan for these future demand changes.

It is important for the Council to review its risks and rewards in relation to new activities, such as Investment properties and its interests in its companies if the level of activity in those companies changes. Companies include the TDA Group including Torvista and TEDC Developments and "SWISCo".

Appendices

Appendix 1	Review of Reserves 2021/22
Appendix 2	Summary of Council Reserves

Appendix 1

Review of Reserves 2021/22

Reserves	Balance as at 1/4/20	Balance as at 31/3/21	Balance as at 31/3/22	Balance as at 31/3/23	Balance as at 31/3/24
	£'000	£'000	£'000	£'000	£'000
General Reserves					
General Fund	-4,623	-5,623	-5,623	-5,623	-5,623
	-4,623	-5,623	-5,623	-5,623	-5,623
Earmarked Reserves					
Comprehensive Spending Review					
COVID Reserve	0	-1,600	-600	0	0
Comprehensive Spending Review	-2,181	-1,644	-1,934	-2,434	-2,934
	-2,181	-3,244	-2,534	-2,434	-2,934
Capital Reserves:					
Capital Funding Reserve	-2,214	-1,334	-1,099	-899	-524
IT Equipment Reserve	-93	-50	0	0	0
	-2,306	-1,384	-1,099	-899	-524
School Related Reserves					
Dedicated Schools Grant	3,778	6,378	8,878	9,878	10,678
Education Schools Exit Packages	-150	-146	-110	-82	-62
School Balances	-166	-64	-64	-64	-64
	3,462	6,168	8,704	9,732	10,552
Partner/Ring Fenced Reserves					
Adult Social Care	-2,596	-1,993	-719	0	0
Devon Audit Partnership	-25	-25	-25	-25	-25
EDC Reserves (Funds paid in advance)	-66	-66	-66	-66	-66
Harbours Reserves	-381	-159	-152	-80	-2
Public Health Reserve	-1,023	-1,473	-1,473	-1,473	-1,473
Museum Reserve	-25	-25	-25	-25	-25
Swimming Pool Reserve	-44	-42	-42	-42	-42
Salix Fund	-168	-214	-257	-266	-274
EU Exit Funding	-288	-288	0	0	0
	-4,616	-4,285	-2,759	-1,977	-1,907
Specific issues					
Council Elections	-62	-122	-182	-242	0
Crisis Support Reserve	-537	-437	-337	-237	-137
Growth Fund	-3	-3	-3	-3	-3
Equipment Reserves	-246	-246	-246	-246	-246
Geopark	-26	-16	-6	0	0
Green Travel Plan	-106	-106	-106	-106	-106
Highway Reserves	-373	-330	-300	-275	-250
Housing First	-316	-116	0	0	0
Housing Benefit	-475	-475	-475	-475	-475
Insurance Reserves	-3,190	-3,174	-3,149	-3,124	-3,099
NNDR Collection Fund	-359	-12,750	-750	-750	-750
Collection Fund Deficit	0	-3,500	-2,200	-1,100	0
Office Accommodation Reserve	0	0	0	0	0
Oldway Mansion Reserve	-11	0	0	0	0
Planning Reserve	-268	-209	-69	0	0
PFI Sinking Fund	-788	-638	-488	-338	-188
Regeneration Reserve	-243	-27	-27	-27	-27
Town Centre Regeneration	-87	-44	0	0	0
Section 106	-7	-7	-7	-7	-7

Service Carry Forwards	-686	-686	-486	-446	-446
Tourism	-12	-12	-12	-12	-12
Transformation Reserve	-178	-78	0	0	0
Waste Strategy	-355	0	0	0	0
Climate Change	-25	-63	-88	-63	-38
Better Bus area	-23	0	0	0	0
Community Infrastructure Levy	-262	-262	-262	-262	-262
Retail Reserve	-357	-341	-694	-1,048	-1,402
Car Parking	-252	-252	-252	-252	-252
New Burdens - Transparency Code	-13	-13	-13	-13	-13
RICC Support	0	-170	-170	-170	-170
	-9,260	-24,075	-10,321	-9,195	-7,881
Investment Fund					
Investment Fund	-2,072	-1,894	-2,867	-4,085	-5,376
	-2,072	-1,894	-2,867	-4,085	-5,376
Grants - received not spent					
Grants - received not yet spent	-13,512	-8,121	-2,774	-1,398	-1,398
	-13,512	-8,121	-2,774	-1,398	-1,398
Total Earmarked Reserves	-30,485	-36,836	-13,650	-10,256	-9,468
TOTAL RESERVES	-35,108	-42,459	-19,273	-15,879	-15,091

Appendix Two

<u>Name of Reserve</u>	<u>Description of Reserve</u>	<u>Responsible Officer</u>
Adult Social Care	Reserve for any adult social care funding to be used to support adult social care	Jo Williams Director of Adult Social Care
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.	Martin Phillips Chief Finance Officer
Carry Forwards	Balance of any Service specific Carry Forward of budget	Martin Phillips Chief Finance Officer
Collection Fund Deficit Reserve	To fund the impact of the three year spread of the cost of the 2020/21 collection fund deficit	Martin Phillips Chief Finance Officer
Comprehensive Spending Review Reserve including Covid-19 Reserve	To fund costs associated with meeting budget reductions as a result of the Government's comprehensive spending review.	Martin Phillips Chief Finance Officer
Crisis Fund	Reserve to support the costs of social fund and exceptional hardship	Tara Harris Assistant Director Community Services
Dedicated Schools Grant	Reserve to reflect the position on the ring fenced dedicated school grant – currently negative balance pending recovery plans.	Nancy Meehan Director of Children's Services
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.	Various
Geo Park Conference	To support costs of Geo Park activities	Kevin Mowat Director for Place
Grants recognised but not used	Reflects the value of revenue grants (without conditions) received by 31 st March but not yet used to support expenditure. This includes Covid-19 Grants	Martin Phillips Chief Finance Officer
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.	Kevin Mowat Director for Place
Highways Reserves	Reserve holding funds received under Highways Acts and other legislation where the Council holds funds to do works.	Kevin Mowat Director for Place

Housing Benefit Subsidy	Reserve to mitigate variations to the Council's housing benefit subsidy	Tara Harris Assistant Director Community Services
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve covers potential future liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims	Anne-Marie Bond Interim Chief Executive
IT Equipment Reserve	To provide funds for priority driven replacements of IT equipment. Reserve to fund costs of the purchase of a replacement case management system for childrens' social care	Matt Fairclough-Kay Interim Assistant Director – Corporate Services
Investment Fund Reserve	Reserve to mitigate any variations in income or costs associated with Investment Fund properties such as void and rent free periods	Kevin Mowat Director for Place
RICC Support Reserve	Reserve allocated from CSR Reserve for costs, if needed, to support the RICC. If not required this reserve will be reversed.	Kevin Mowat Director for Place
NNDR Equalisation Reserve	Reserve to smooth the volatility of NNDR income including appeals, s31 grant and the performance of the Devon wide NNDR pool.	Martin Phillips Chief Finance Officer
Misc. Specific Reserves	Includes: Council Elections, Devon Audit Partnership, Green Travel Plan. Museums and Salix (energy initiatives).	Various
PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (The Spires and Homelands Schools) and to provide funding towards Paignton Community College expansion project.	Nancy Meehan Director of Children's Services
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years and Masterplan delivery.	Kevin Mowat Director for Place
Public Health	Reflects carry forward of ring fenced funds for Public Health	Caroline Dimond Director Public Health
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives	Kevin Mowat Director for Place
Regeneration/TDA Reserve	Reflects the value of funds awarded to the TDA where the work has yet to be completed.	Kevin Mowat Director for Place

School Balances	Reflects the carry forward by schools of their delegated school budget share.	Rachael Williams Assistant Director of Education
School Redundancy Reserve	Reserve to support the costs of redundancies for schools based staff	Rachael Williams Assistant Director of Education
Swimming Pool Reserve	Reserve established as part of 2018/19 budget proposals to support unplanned expenditure or income variances for community run internal swimming pools.	Kevin Mowat Director for Place
Tourism (Strategic Events) Reserve	Reserve established in 2012/13 to support tourism and events.	Kevin Mowat Director for Place
Town Centre Regeneration	Reserve established to fund the staffing and feasibility costs associated with the Town Centre Regeneration project	Kevin Mowat Director for Place
Transformation Reserve	Reserve to support expenditure on projects associated with the Council's transformation programme.	Anne-Marie Bond Interim Chief Executive
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.	Kevin Mowat Director for Place