



To:  
Councillor Rob Stewart  
Cabinet Member for Economy,  
Finance & Strategy

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*Date* 29 November 2022  
*Dyddiad:*

Summary: This is a letter from the Service Improvement and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy. The letter concerns the meeting held on 8 November 2022 and the Review of Revenue Reserves.

Dear Councillor Stewart,  
On the 8 November, the Service Improvement and Finance Scrutiny Performance Panel met to discuss the Review of Revenue Reserves. The Panel are grateful to Ben Smith, Chief Finance Officer / S.151 Officer, for attending to discuss and answer our questions.

The Officer highlighted to us the advice to Council which is that all functions and services are under pressure and draws from reserves will be made in the current year. Also that £100m has been added to the earmarked reserves in the last few years with the general fund at £10m and revenue reserves at £158m.

The Officer told us that the pay award remains unfunded and is likely to be a significant draw from the reserves. Schools are likely to use their delegated reserves and although they are high the rate of use of these reserves will be the concern.

We asked for an up to date figure of the reserves as the data given is now a few months old, the Officer reminded us that you have announced a pause on Economic Recovery Fund activity for a short period given inflation pressures but £20m was planned to be committed and this still remains the case. Overall there is a possibility of using 20/25% of reserves in the current year. The issue for schools may get more pronounced as the teacher's pay award has yet to be decided and could affect the draw on reserves.

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With the reserves at a significant sum the Officer reassured us that there is no scenario where all the reserves will be used in the current year.

We had some concerns about the risk of capital overspends, especially with the rising cost of materials, the Officer informed us that it is likely some schemes will overspend but equally there will be some underspends with an overall underspend that will add to the reserves. Any additional capital decisions which require future borrowing will need to be funded through revenue contributions not the Capital Equalisation Reserve. Officers warned us that further borrowing will come at a cost and is inevitable at some point.

We asked how high the level of borrowing could go. We are aware there are some difficult choices for Cabinet, for instance whether the capital programme is funded from revenue, leaving less revenue for other projects, or to borrow more.

The Officer gave advice that if the Council want to fund significant additional capital expenditure this would need further funding (revenue or borrowing) rather than just reserves. The last borrowing round timed well and secured rates of under 2%, it is unlikely in the near future to have access to interest rates as low as that. Using cash backed reserves in the short term avoids the council borrowing rates at higher rate and we agree that additional external borrowing in the current climate should be postponed for as long as possible.

Further advice given from the Officer was for the Council to prepare for significant change in service delivery, we asked for a timescale on this but understand that this is unclear until further statements are made from National and Welsh Governments.

We appreciate that difficult decisions and circumstances are ahead for the Council and await the draft budget proposals in December for further information.

### **Your Response**

We are interested in any thoughts you may have on the contents of this letter but, in this instance, we require no formal written response.

Yours sincerely,



Councillor Chris Holley  
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