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County Hall  
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NP15 1GA

Friday, 18 February 2022

## Notice of Reports Received following Publication of Agenda.

### Governance and Audit Committee

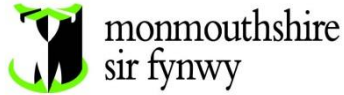
Monday, 28th February, 2022 at 2.00 pm,  
County Hall, Usk - Remote Attendance

Attached are reports that the committee will consider as part of the original agenda but were submitted to democratic services following publication of the agenda.

Item No	Item	Pages
9.	Assessment of the robustness of the budget process and adequacy of reserves.	1 - 18

**Paul Matthews**  
Chief Executive

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<b>SUBJECT:</b>	<b>ROBUSTNESS OF BUDGET PROCESS AND ADEQUACY OF RESERVES</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>28<sup>th</sup> February 2022</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

## 1 PURPOSE

- 1.1 For the Committee to appraise the Responsible Financial Officer's (RFO) opinion on the robustness of the budget process and adequacy of reserves and that supports the 2022/23 final budget proposals being considered by Cabinet and subsequently proposed for approved to Council on 3<sup>rd</sup> March.
- 1.2 To update Governance & Audit Committee members of reserve and capital receipt usage and to highlight its impact against the revised reserves protocol previously endorsed by Cabinet.

## 2 RECOMMENDATIONS:

That Governance & Audit Committee:

- 2.1 Scrutinises and endorses the RFO opinion on the robustness of the budget process and adequacy of reserves (appendix 1), and that in turn allows for a verbal update to be provided to Cabinet on 2<sup>nd</sup> March and Council on 3<sup>rd</sup> March as required.
- 2.2 Notes the forecast usage of reserves for 2022/23 and for future years as summarised in table 1 of this report and detailed in appendix 2.
- 2.3 Notes the extent of forecast improvements in school balances summarised in table 2 and detailed in appendix 3 which is informed and driven by the extent to which significant and unprecedented late grant support provided by Welsh Government to schools at the end of 2020/21 exceeded the impact of school investment plans, and notably further receipt of unbudgeted Welsh Government grant support received at the end of 2021/22.
- 2.4 Acknowledges the restoration of general and earmarked reserve balances over the administrative term of this Council and that has enabled balances to be stabilised in line with the reserves protocol approved by Cabinet in 2015, albeit in light of risks that remain over the medium term which to the extent that they cannot be mitigated will draw further on limited one-off reserve and useable capital receipt balances.
- 2.5 Notes the current reserve strategy and approach that looks to ensure that reserve cover is put in place for budgetary risks remaining for 2022/23 and from a forecast under spend for 2021/22.
- 2.6 Note that the Council Fund balance sits in the middle range of the 4% to 6% indicator and which is considered by the Council's S151 officer to be at an acceptable and prudent level.

- 2.7 Has regard to declining useable and one-off capital receipt balances that continue to support the Council's capital maintenance and investment plans, and most recently used to meet revenue costs associated with service reform under WG guidance (appendix 5 and 6).
- 2.8 Note that current usage of useful capital receipts is not sustainable and to the extent that balances are depleted Council will need to have recourse to unsupported borrowing to finance its future capital plans and to the extent that other grants and contributions are not available.
- 2.9 Requests that a review of the reserves policy is undertaken and brought back to Governance & Audit Committee for consideration before being considered for adoption by Cabinet subsequent to 2021/22 outturn and in readiness for the budget strategy and plan for 2023/24 and over the MTFP period.
- 2.10 Requests that consideration is given to strengthening compliance with CIPFA's Financial Management (FM) Code and over which the committee needs to preside.

### **3 KEY ISSUES**

#### **Background and Context**

- 3.1 The 2003 Local Government Act imposes a number of statutory duties on a Council's Responsible Financial Officer (RFO). The RFO for the Council being the Deputy Chief Executive / Chief Officer for Resources as the Council's S151 officer.
- 3.2 Guidance on these duties is contained within CIPFA's LAAP Bulletin 55 and CIPFA's updated Statement on the Role of the Finance Director. The primary duties are for RFO to provide a view on the robustness of the budget process, budgetary risk and the adequacy of reserves and balances.
- 3.3 The RFO statement on the budget process and adequacy of reserves accompanies the final budget proposals that will be considered by Cabinet on 2<sup>nd</sup> March and then recommended to Full Council for approval as part of the Council Tax Resolution report on 3<sup>rd</sup> March. The draft statement is provided in appendix 1.
- 3.4 The Governance & Audit Committee has previously received periodic reports on the level and adequacy of reserves, the last of these considered by the committee at its meeting on 15<sup>th</sup> October 2020.
- 3.5 Considered separately on this agenda is a paper that looks to draw conclusion and recommendation from changes brought about by the Local Government and Elections (Wales) Act 2021 and a review of the effectiveness of the committee. There were two specific recommendations resulting and that are directly relevant to this report:
  - a) The committee should receive and consider RFO's annual opinion on robustness of budget process and adequacy of reserves as part of budget process
  - b) Consideration of strengthening compliance with CIPFA's Financial Management (FM) Code over which the committee needs to preside
- 3.6 This report will now be produced annually and considered by the committee as part of the budget process and once the final budget proposals and RFO opinion have been drafted in readiness for consideration. The Council diary will need to ensure that a committee meeting date is confirmed ahead of Cabinet and Council meetings that look to consider and then approve the final budget proposals.

- 3.7 Further reports to the Committee will be considered as required. Of particular note and as contained as a recommendation to the report a review of the reserves policy will be undertaken subsequent to 2021/22 outturn and in readiness for the budget strategy and plan for 2023/24 and over the MTFP period. Which will be developed and be informed by an updated corporate plan produced by an incoming political administration subsequent to Local Government elections in May. This reserve policy will be considered by Governance & Audit Committee ahead of it being adopted by Cabinet.

### **Robustness of the Budget Process and Budgetary Risk**

- 3.8 In terms of the robustness of the budget process the RFO statement outlines where reliance has been placed and principally on the work carried out by members of the Strategic Leadership Team in their Directorates involving budget managers and devolved accountants. The statement confirms the process has been undertaken properly and rigorously with notable elements of good practice and as outlined in the statement.
- 3.9 Further to the budget process itself is an acknowledgement of the budgetary risks and that could adversely impact on the Council's finances. There are a number of explicit risks in the final budget proposals for 2022/23 and given the continued strain on services, the continued impact of the pandemic and the uncertainties next year and into the medium term. Risks have been identified as the budget proposals have been put together and have been outlined along with how they are being managed or mitigated.
- 3.10 Whilst the risks in the 2022/23 budget have been outlined the RFO statement goes further to outline the main budgetary risks going forward across the MTFP planning period and that will also need to be managed. These further risks are not exhaustive but are considered to be the most significant financial and budgetary risks facing the Council.
- 3.11 Subsequent to a new political administration outlining its policy aims and ambitions post May a new Corporate Plan will inform and influence a full update of the Medium Term Financial Strategy and Plan later in 2022 and part of the preparations leading into the 2023/24 budget process. This comprehensive update will include an ongoing assessment of pressures, risks and modelling assumptions. As well as savings proposals and options that together with a robust and updated capital receipts and reserves strategy enables the Council's finances to be put on a sustainable footing.

### **Assessment on the Adequacy of Reserves and Useable Capital Receipts**

- 3.12 Useable reserves and capital receipts are an important part of the Authority's financial strategy and are held to create long-term budgetary stability as well as to support delivery of the Council's capital maintenance and investment plans. They enable the Authority to manage change without undue impact on council tax payers and are a key element of its strong financial resilience.
- 3.13 The Authority's key sources of funding continue to face an uncertain future and the Council therefore holds earmarked reserves and a Council fund balance in order to mitigate future financial risks and as outlined in separately in the RFO statement and mentioned above.
- 3.14 Useable reserves and capital receipts are a one-off source of funding and the Authority aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan.
- 3.15 As the Council comes to the end of its five-year administrative term it is pertinent to look back over the last five years and to acknowledge that despite the challenges brought about

by the pandemic and the uncertainty around the Welsh Government funding settlement for local government that:

- a) Earmarked revenue reserves, having been continually declining since 2008/09, will look to be restored to levels last seen back in 2014/15.
- b) The Council Fund, the Council's general reserve balance, is at its highest level for many years at £8.9m and now sits in the middle range of the 4% to 6% indicator and which is considered by the Council's S151 officer to be at an acceptable and prudent level.
- c) School balances, having gone into net deficit at the end of 2019/20 having seen a steady decline since 2008/09, have now been replenished and are forecast at month 9 to be £4.1m at the end of 2020/21.
- d) Useable capital receipts having seen a declining trend since 2008/09, and to support the funding and delivery of the band A 21<sup>st</sup> Century Schools programme, increased from its lowest point in 2017/18 (£3.55m) to a forecast balance at the end of 2021/22 of £13.5m.

3.16 Much of the earmarked reserve and school balance replenishment has resulted from the Council benefitting, as have all Welsh Councils, from significant specific grant funding late in 2020/21 and 2021/22, alongside more favourable funding settlements.

3.17 A one-off windfall during 2019/20 relating to VAT recoupment from the Ealing judgement and use of capitalisation directive that allowed £1.8m to be added to the Council Fund reserve and directly as a strategic response to the outbreak of the COVID-19 pandemic.

3.18 Useable capital receipt balances are forecast to be restored to £13.5m at the end of 2021/22. However, a recent dependency and use of capitalisation direction to meet revenue costs associated with service reform has impacted on the level of useable capital receipts held and will need to be arrested moving forward and over the medium term. And in light of the uncertainty around the replacement LDP and in terms of both its timing and whether strategic sites put forward by the Council will secure candidature.

3.19 The Council's existing reserve protocol, approved by Cabinet in 2015, was as a result of the following factors and that will remain with the Council when looking to the medium-term and even from the aforementioned and healthier reserve position:

- Faster than expected use of earmarked reserves over the period
- Limited opportunities to replenish reserves from in year underspends as budgets get tighter
- Limited opportunities to redistribute reserves as various reserves are used up
- Increased service demand
- Risks around the on-going austerity measures and the projected gap in the medium term financial plan
- A large commitment of capital resources to Future Schools
- The need for reserves to work harder to help the Authority through the financial challenges and risks it faces

### **Reserve Activity**

3.20 The Council has **unallocated reserves** in the form of Council fund balance and school reserves. The level of surplus/deficit on the revenue account at the end of any one financial year directly impacts the Council Fund balance. The forecast impact during the financial year as part of periodic monitoring will **Page 4** but for reserve forecasting purposes the

presumption is that service activities will be within budget overall with no resultant impact on the Council fund balance.

- 3.21 In respect of **Earmarked (allocated) reserves**, revenue and capital monitoring reflects the approved budgeted use of reserves. A specific analysis is undertaken at every formal periodic monitoring exercise to establish whether reserve usage approved as part of the budget will be fully utilised within the financial year. Where it is apparent this is not the case, the reserve usage is removed from the budget and carried forward if required pending final approval at year end by the Section 151 officer.
- 3.22 A detailed breakdown of earmarked reserves is provided in appendix 2a (reserve balances and planned usage for 2022/23) and appendix 2b (reserve balances over the MTFP period). These can be summarised as follows:

Table 1: Reserve balances and planned usage for 2022/23

Reserve	2022/23 Brought Forward	Budgeted Contributions To	Budgeted Contributions From	2022/23 Carried Forward
Council Fund (Authority)	(8,906,782)			(8,906,782)
School Balances	(3,418,120)			(3,418,120)
<b>Total Council Fund</b>	<b>(12,324,903)</b>	<b>0</b>	<b>0</b>	<b>(12,324,903)</b>
<b><u>Earmarked Reserves:</u></b>				
Invest to Redesign	(1,342,645)	(125,000)	25,000	(1,442,645)
IT Transformation	(589,046)	0	103,000	(486,046)
Insurance and Risk Management	(935,332)	0	0	(935,332)
Capital Receipt Generation	(365,079)	0	51,000	(314,079)
Treasury Equalisation	(590,024)	0	0	(590,024)
Redundancy and Pensions	(768,721)	0	88,038	(680,683)
Capital Investment	(625,340)	0	0	(625,340)
Priority Investment	(1,700,000)	0	200,000	(1,500,000)
<b>Sub Total Earmarked Reserves:</b>	<b>(6,916,187)</b>	<b>(125,000)</b>	<b>467,038</b>	<b>(6,574,149)</b>
Service Specific Reserves	(3,194,018)	(63,000)	130,000	(3,127,018)
<b>Total Earmarked Reserves</b>	<b>(10,110,205)</b>	<b>(188,000)</b>	<b>597,038</b>	<b>(9,701,167)</b>
<b>Total useable revenue reserves</b>	<b>(22,435,107)</b>	<b>(188,000)</b>	<b>597,038</b>	<b>(22,026,069)</b>

Table 2: Reserve balances over the MTFP period

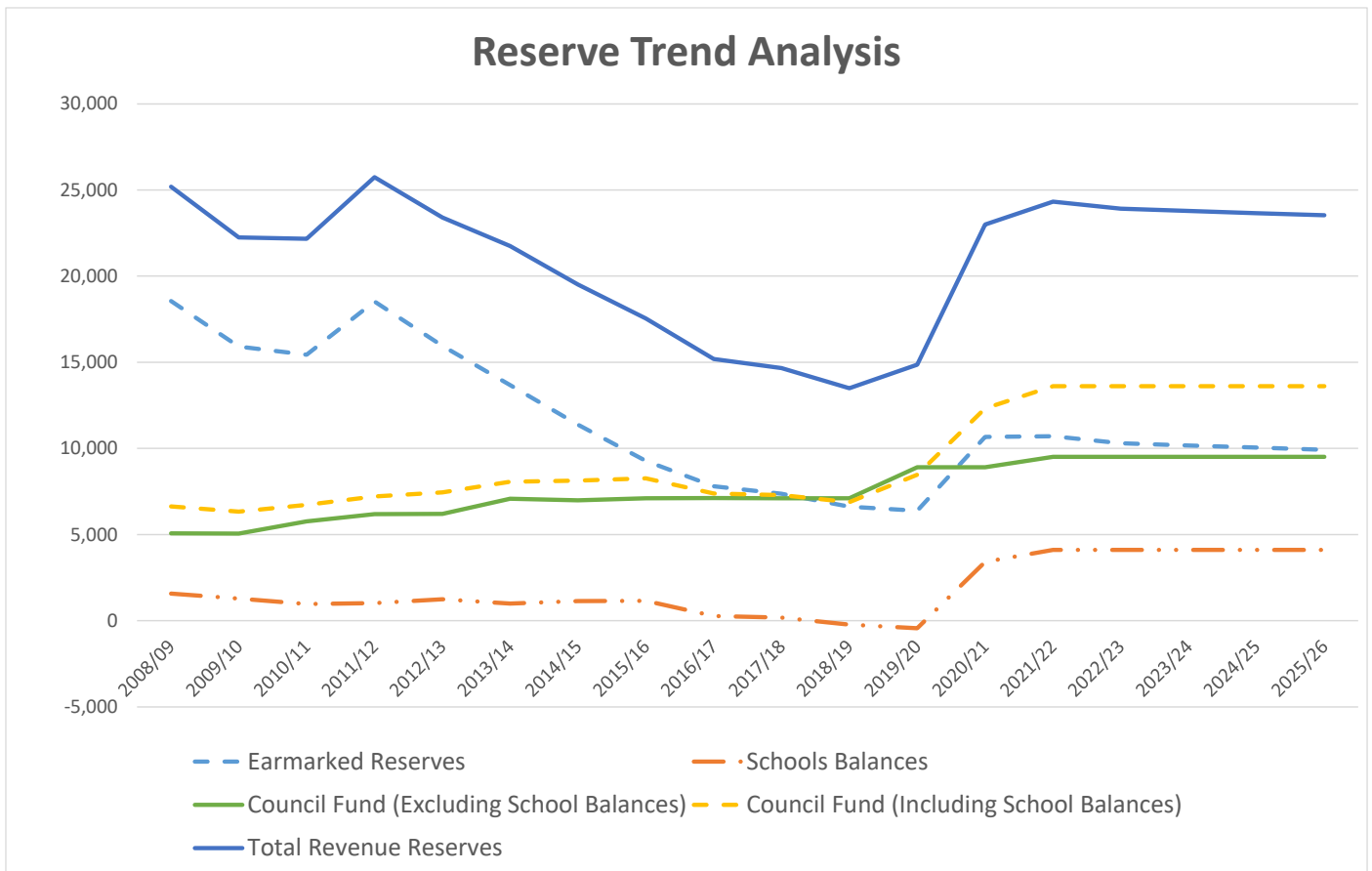
**Budgeted useable reserve balances**

<b>Financial Year ending</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Council Fund</u></b>					
Council Fund (Authority)	(8,907)	(8,907)	(8,907)	(8,907)	(8,907)
School Balances	(3,418)	(3,418)	(3,418)	(3,418)	(3,418)
<b>Sub Total Council Fund</b>	<b>(12,325)</b>	<b>(12,325)</b>	<b>(12,325)</b>	<b>(12,325)</b>	<b>(12,325)</b>
<b><u>Earmarked Reserves</u></b>					
Invest to Redesign Reserve	(1,343)	(1,443)	(1,443)	(1,443)	(1,443)
IT Transformation Reserve	(589)	(486)	(383)	(280)	(177)
Insurances & Risk Management Reserve	(935)	(935)	(935)	(935)	(935)
Capital Receipt Generation Reserve	(365)	(314)	(314)	(314)	(314)
Treasury Equalisation Reserve	(590)	(590)	(590)	(590)	(590)
Redundancy and Pensions Reserve	(769)	(681)	(593)	(505)	(417)
Capital Investment Reserve	(625)	(625)	(625)	(625)	(625)
Priority Investment Reserve	(1,700)	(1,500)	(1,500)	(1,500)	(1,500)
Service Specific Reserves	(3,194)	(2,627)	(2,690)	(2,753)	(2,816)
<b>Sub Total Earmarked Reserves</b>	<b>(10,110)</b>	<b>(9,201)</b>	<b>(9,073)</b>	<b>(8,945)</b>	<b>(8,817)</b>
<b>Total Useable Revenue Reserves</b>	<b>(22,435)</b>	<b>(21,526)</b>	<b>(21,398)</b>	<b>(21,270)</b>	<b>(21,142)</b>

**Reserves Trend Analysis**

3.23 The level of total usable revenue reserves had been in constant decline for many years and the introduction of the reserves protocol in 2015 looked to slow and stabilise reserves at least at prudent levels and noting the ongoing funding challenges faced by the Authority. As mentioned and as can be seen from the chart below this decline has been arrested in recent years.





### **Earmarked Reserves**

- 3.24 The analysis above highlights the decline that had been seen in earmarked reserves over an extended period. It can be seen that since the introduction of the reserves protocol in 2015 the reduction in earmarked reserves has continued but at a less severe rate. As a result of late Welsh Government grants in 2020/21 and the resultant positive outturn position earmarked reserves were bolstered by £4.1m. The outturn position for 2021/22 is again looking positive as a result of late and significant Welsh Government grants. This being the case earmarked reserves will be replenished further and as part of the reserves strategy underpinning the 2022/23 budget and MTFP period.
- 3.25 The 2022/23 budget anticipates some limited use of earmarked reserves to support the revenue and capital budget proposals. Earmarked reserves have been established over time for use for designated purpose over time, and whilst not currently earmarked for use provide a level of contingency for some of the risks associated with the budget recommendations highlighted in the final 2022/23 revenue and capital budget proposals.
- 3.26 The total planned net earmarked reserve utilization in support of the 2022/23 revenue and capital budget is £0.41m. Total planned reserve utilization in support of current year revenue and capital budgets means that by the end of 2021/22 the balance of earmarked reserves is likely to be £10.1m. The further call in 2022/23 means that the earmarked reserves will fall to £9.7m, with the useable balance down to £6.57m. And forecast to fall further based on anticipated and known reserve utilization to £6.0m at the end 2025/26.
- 3.27 Despite indicative funding increases being provided by Welsh Government for 2023/24 and 2024/25 these are subject to change and the current global, geo-political and economic challenges highlight the levels of uncertainty that will continue in relation to future funding settlements from Welsh Government and alongside increasing service demands and pressures. The risk around the Council's ability to replenish earmarked reserves over the medium term should be noted.

- 3.28 When reserve investment is approved it is important that clear protocols and responsibility is assigned to help to ensure the return from the use of reserves in the future is maximised. The benefits/return from any reserve investment should be monitored as the investment takes place and reviewed once the investment is complete to ensure the expected benefits have been delivered and to gain the learning for future investment decisions.
- 3.29 The forecast usage of earmarked reserves based on the current medium term financial plan is highlighted in **Appendix 2b** to this report.
- 3.30 The reserves protocol will now be reviewed as part of the forthcoming budget and MTFP process. It is planned for this protocol to also cover useable capital receipt balances as well as revenue reserve balances.

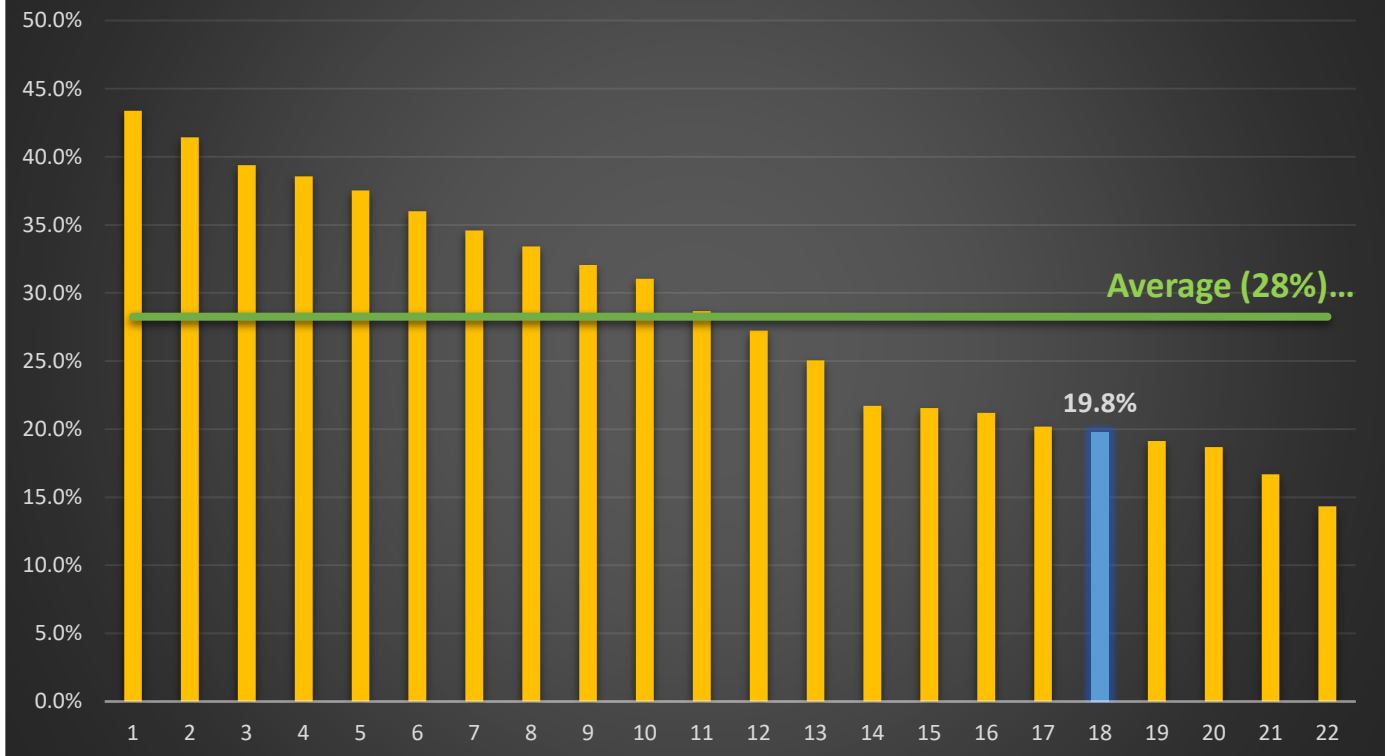
### **Council Fund**

- 3.31 Based on a budgeted net expenditure (excluding Police and Community Council precepts) and before financing totalling £174.87m, an £8.90m Council Fund balance equates to 5.09% cover, which sits in the middle of the range of 4-6% of net revenue budget and is considered to be at a prudent level.
- 3.32 The focus therefore turns to the uncertain outlook and future financial challenges and where the headroom in the Council Fund balance is reserved and if required to cover the following, and where mitigating budgetary recovery action is unable to manage such pressures on the Council's budget:
- Any budget pressure in 2022/23 resulting from pay award announcements that exceed the 3.5% modelling assumption in the final budget proposals
  - Any other pressures that result in 2022/23 and that cannot be contained through budget recovery action, notably the budget risks outlined in the RFO's opinion in appendix 1
  - Any one-off contribution to support the 2023/24 budget proposals
  - To allow for future reserve cover across the MTFP and beyond

### **All Wales analysis**

- 3.33 The below analysis compares Welsh Authorities levels of usable reserves (**both Council fund and Earmarked reserves**) as a ratio of their annual cost of running revenue services. This ratio gives an indication of the degree of cover that usable reserves provide relative to the size of the Authority.

## Usable Reserves as a % of cost of revenue services



- 3.34 **Appendix 4** provides a more detailed breakdown of the data contained within this analysis.
- 3.35 Despite the introduction of the reserves protocol in 2015 and replenishment of reserves at the end of 2019/20 and 2020/21, Monmouthshire remains at the lower end of reserve coverage with just 19.8% compared to an all Wales average of 28%. This is similarly the case when useable reserves are calculated per capita and where Monmouthshire is ranked 19<sup>th</sup> with £342 per capita.
- 3.36 Whilst comparisons may be useful, the levels of reserves required in any given authority needs to be assessed against the strategic, operational and financial risks of that Authority. However it is clear that when the low level of reserve cover is combined with continuing low funding settlements from Welsh Government, increasing service demands and an uncertain economic outlook, it creates a significant risk that the gap in reserve adequacy cannot be remedied in the medium term to allow the Authority to improve its financial resilience to a more appropriate level.

### Schools Balances

- 3.37 A Board of Governors who are responsible for managing the school's finances directly governs each of the Authority's Schools. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools.
- 3.38 Pre pandemic, net school balances had remained at low levels and had reduced to a net deficit balance of £435k. Receipt of unprecedented levels of grant support from Welsh Government during 2020/21 and 2021/22 have looked to ensure support for schools and their pupils during a period of significant disruption to learning. This has resulted in schools balances currently being forecast to be in surplus at the end of 2021/22 of £4.105m and despite significant investment plans being implemented during the year by schools.
- 3.39 Irrespective of the improvement in school balances it is clear that the inherent structural budget deficits that led to a significant number of schools being in deficit over the past few

years remain and will require resolution regardless. It is expected that the additional funding made available to those schools will allow a period of transition and as to allow those underlying budgetary issues to be rectified without impacting on educational standards.

3.40 Below is a table showing the outturn forecast Schools' balances position based on month 9 projections for each Educational Cluster.

**Forecast movement school balances for 2021/22**

Draft Council Fund Outturn 2021/22 – School Balances Summary outturn position at Month 9	(A) Opening Reserves (Surplus) / Deficit Position 2021/22	(B) Draw / (Contribution) from / (to) School Balances @ Month 2	(C) Draw / (Contribution) from / (to) School Balances @ Month 6	(D) Draw / (Contribution) from / (to) School Balances @ Month 9	(A+D) Forecast Reserve Balances at 2021/22 Outturn	Variance Draw on School Balances Month 6 to Month 9
	£000's	£'000	£'000	£'000	£'000	£'000
<b>Cluster</b>						
Abergavenny	(1,158)	309	426	(197)	(1,355)	(623)
Caldicot	(1,091)	539	372	(197)	(1,288)	(569)
Chepstow	(349)	516	417	42	(307)	(375)
Monmouth	(794)	457	354	(318)	(1,113)	(673)
Special	(26)	(39)	(11)	(16)	(42)	(5)
<b>Total</b>	<b>(3,418)</b>	<b>1,782</b>	<b>1,558</b>	<b>(687)</b>	<b>(4,105)</b>	<b>(2,245)</b>

3.41 Collective School Balances at the beginning of the financial year amounted to a £3,418,120 surplus. (The majority of the surplus balance brought forward is due to two grants being awarded to schools at the 2020/21 year-end; the Schools Revenue Maintenance Grant and Recruit, Recover and Raise Standards).

3.42 The Schools month 2 forecast anticipated draw on reserves was £1,781,648, which resulted in a forecast surplus balance of £1,636,472. At month 6, the forecast anticipated draw on reserves was reduced by £223,938, to a forecast surplus balance of £1,860,410. At month 9, the forecast is a contribution to reserves of £686,954, resulting in a forecast surplus balance of £4,105,074. The majority of the increase in reserve balances is due to additional grants from Welsh Government, the details are below:

- £1,089,288 to cover revenue maintenance
- £117,306 Winter of Wellbeing
- £184,076 ALN new system funding
- £668,971 RRR's funding.
- £2,059,641 Total

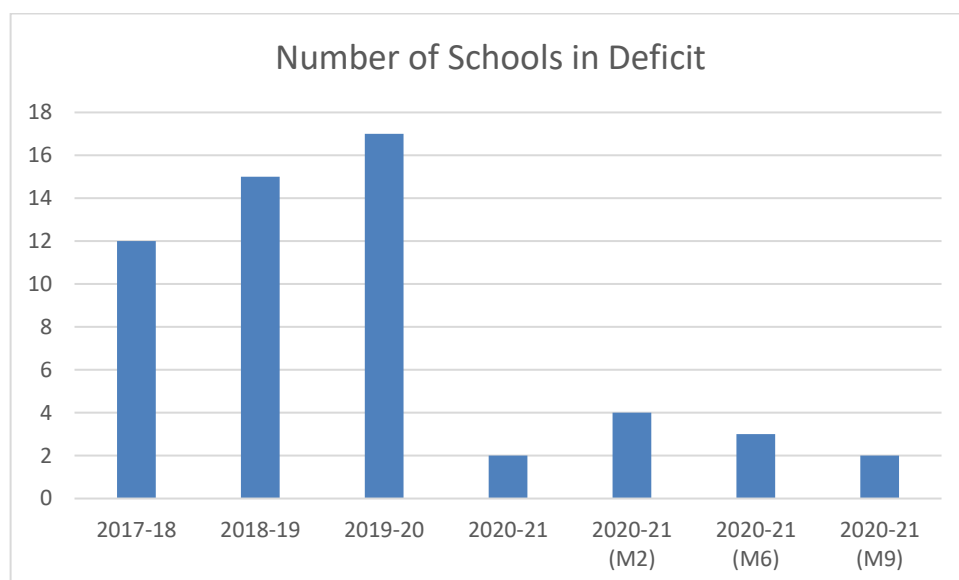
3.43 All Schools in a deficit budget have or are in the process of agreeing recovery plans. These recovery plans will be confirmed with both the Local Education Authority and each School's Governing Body. Once finalised the schools with significant deficits will be monitored by the Cabinet member for Children and Young People and Resources on a termly basis.

3.44 Total Schools balances have been exhibiting a fluctuating trend with some schools showing a continuing reduction in schools balances, which is of concern, and others a more balanced

trend. However, as previously advised, grants awarded to schools at 2020/21 year-end has resulted in a large increase in overall school balances.

Financial Year-end	Net level of School Balances
2014-15	(1,140)
2015-16	(1,156)
2016-17	(269)
2017-18	(175)
2018-19	232
2019-20	435
2020-21	(3,418)
2021-22 (Forecast)	(4,105)

3.45 The increase in school balances has resulted in a reduction in the number of schools in deficit, as illustrated in the following table:



3.46 Individual School Balances are available in **Appendix 3** of this report.

### Reserve Strategy

3.47 The reserves strategy in recent years has seen the Council being able to restore previously diminished reserve balances. The final budget proposals for 2022/23 have been produced in parallel with the most recent month 9 forecast and that will enable earmarked reserves to be replenished further and to provide further reserve cover against identified budget risks for 2022/23.

3.48 As stated previously a review of the reserves policy will be undertaken subsequent to 2021/22 outturn and in readiness for the budget strategy and plan for 2023/24 and over the MTFP period. Which will be developed and be informed by an updated corporate plan produced by an incoming political administration.

## 4 REASONS

4.1 The governance arrangements outlined in this report are designed to provide assurance to the Governance & Audit Committee on:

- The robustness of the budget process and in managing and mitigating budgetary risk; and
- The adequacy of reserves and the underlying reserve strategy being used to support the budget and MTFP and the underlying and associated risks.

4.2 To comply with best practice regarding the management and review of earmarked reserves and the Financial Procedure Rules within the Authority's constitution.

## **5 OPTIONS APPRAISAL**

5.1 Not applicable.

## **6 EVALUATION CRITERIA**

6.1 The Governance & Audit Committee will scrutinize and review the RFO's opinion on the robustness of the budget process and the adequacy of reserves on an annual basis. This review will be undertaken ahead of Cabinet considering the RFO opinion as part of it considering the final budget proposals ahead of Council approval of the revenue and capital budgets as part of the council tax resolution for the subsequent financial year.

6.2 Planned and forecast reserve usage, school balances and capital receipt balances are monitored on an ongoing basis as part of the in-year budget monitoring arrangements.

## **7 RESOURCE IMPLICATIONS**

7.1 None arising directly from this report. The governance arrangements outlined in this report are designed to ensure that the appropriate resource implications are considered when earmarked reserves usage or replenishment is being considered. As well as to ensure that the budget process is robust and takes account of all associated budgetary risks.

7.2 A review of the reserves policy will be undertaken subsequent to 2021/22 outturn and in readiness for the budget strategy and plan for 2023/24 and over the MTFP period. Which will be developed and be informed by an updated corporate plan produced by an incoming political administration subsequent to Local Government elections in May. This reserve policy will be considered by Governance & Audit Committee ahead of it being adopted by Cabinet.

## **8 WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING)**

8.1 There are no implications directly arising from the recommendations and decisions highlighted in this report. However, the sustainable development principle underpins the governance arrangements outlined in this report. These arrangements looks to ensure that the Council has a budget and MTFP process and underpinning reserves position that allows the Council to operate on a secure and sustainable footing and so that it can continue to benefit its communities and its future generations.

## **9 CONSULTEES**

Strategic Leadership Team  
Cabinet Member for Resources  
Acting Head of Finance (Deputy S151 Officer)

## **10 BACKGROUND PAPERS**

Appendix 1 – RFO Opinion on the robustness of the budget process and adequacy of reserves

Appendix 2 – Usable revenue reserve projection using latest available budget and MTFP information

Appendix 3 – Individual School balance forecast (month 9)

Appendix 4 – Backing data for analysis of all Wales usable reserves

Appendix 5 – Forecast useable capital receipt balances

Appendix 6 – Capital receipt risk factors

## **11 AUTHOR**

Peter Davies – Deputy Chief Executive / Chief Officer for Resources (S151 Officer)

## **12 CONTACT DETAILS**

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## Forecast Useable Capital Receipts

<b><u>General Receipts</u></b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April	9,581	13,503	11,108	10,311	8,714
Less: capital receipts used for financing	(3,582)	(2,311)	(1,294)	(1,194)	(1,094)
Less: capital receipts used to support capitalisation directive	(2,208)	(2,650)	(508)	(508)	(508)
	3,791	8,542	9,306	8,609	7,112
Capital receipts Received	2,596	0	0	0	0
Capital receipts Forecast	7,115	2,565	1,004	104	104
<b>Forecast Balance as at 31st March</b>	<b>13,503</b>	<b>11,108</b>	<b>10,311</b>	<b>8,714</b>	<b>7,217</b>

<b><u>Low cost home ownership and Homefinder receipts</u></b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April	182	252	252	252	252
LCHO receipts received	70	0	0	0	0
Less: capital receipts used for financing	0	0	0	0	0
	252	252	252	252	252
Capital receipts Received / Forecast	-	-	-	-	-
<b>Forecast Balance as at 31st March</b>	<b>252</b>	<b>252</b>	<b>252</b>	<b>252</b>	<b>252</b>

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## Capital Receipts Risk Factor

The analysis below provides a summary of the receipts and the respective risk factors associated with realising the receipt:

Capital Receipts Risk Factor	2021/22	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s	£000s
<b>Education Receipts</b>					
Low / completed	374	0	0	0	0
Medium	0	0	0	0	0
High	0	0	0	0	0
<b>Total Education Receipts</b>	<b>374</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>County Farm Receipts</b>					
Low / completed	0	0	0	0	0
Medium	0	0	0	0	0
High	0	200	0	0	0
<b>Total County Farm Receipts</b>	<b>0</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General Receipts</b>					
Low / completed	2,838	615	104	104	104
Medium	0	1,250	0	0	0
High	0	0	0	0	0
<b>Total General Receipts</b>	<b>2,838</b>	<b>1,865</b>	<b>104</b>	<b>104</b>	<b>104</b>
<b>Strategic Accommodation Review</b>					
Low / completed	0	0	0	0	0
Medium	0	0	900	0	0
High	0	0	0	0	0
<b>Total Strategic Accommodation Receipts</b>	<b>0</b>	<b>0</b>	<b>900</b>	<b>0</b>	<b>0</b>
<b>Dependent on Outcome of LDP</b>					
Low / completed	0	0	0	0	0
Medium	6,500	500	0	0	0
High	0	0	0	0	0
<b>Total LDP Receipts</b>	<b>6,500</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTALS</b>					
Low / completed	3,212	615	104	104	104
Medium	6,500	1,750	900	0	0
High	0	200	0	0	0
<b>Total Capital Receipts Forecasted to be Received in Year</b>	<b>9,712</b>	<b>2,565</b>	<b>1,004</b>	<b>104</b>	<b>104</b>

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