

**RESERVES AND BALANCES**

1. The Council will hold many different reserves at any point in time, though the amounts are only confirmed at the end of a financial year. The Statement of Accounts will split reserves into 2 categories usable and unusable reserves. As the name suggest unusable reserves cannot be used and relates to technical reserves associated with timing of accounting adjustments relating to fixed assets and pensions. Usable reserves are split into capital and revenue reserves. This appendix focuses on the revenue reserves and the strategy for their use over the medium term.
2. The table below set outs the useable reserves held by the Council as at the end of financial years 2022/23 and 2023/24 along with the forecast for the 1<sup>st</sup> April 2025 (£m).

<b>Useable Reserves</b>	<b>1<sup>st</sup> April 2023 (£m)</b>	<b>1st April 2024 (£m)</b>	<b>Est. 1st April 2025 (£m)</b>	<b>Purpose</b>
Council Fund balance	5.577	5.577	5.577	Sums set aside for more general purposes to meet any unforeseen costs pressures and unexpected events outside of the council's control.
Earmarked Revenue Reserves – Services	14.514	14.178	13.076	Sums set aside for specific purposes to support Service needs.
Earmarked Reserves - Corporate	17.147	17.607	21.261	Sums set aside for specific purposes to support corporate needs.
Earmarked Revenue Reserves - Schools	8.939	3.681	-2.504	School reserves which are delegated to school governing bodies.
Housing Revenue Account Reserve	1.566	1.178	0.758	Housing reserves which are ringfenced for housing purposes as required in law.

<b>Useable Reserves</b>	<b>1<sup>st</sup> April 2023 (£m)</b>	<b>1st April 2024 (£m)</b>	<b>Est. 1st April 2025 (£m)</b>	<b>Purpose</b>
Earmarked Capital	19.240	22.186	22.186	Capital monies set aside for funding ongoing capital schemes as per the Capital Plan.
Capital Reserves (capital receipts reserve and capital grants unapplied account reserve)	15.122	12.845	12.845	Capital receipts and grants to fund ongoing capital schemes as per the Capital Plan. These sums cannot be used to support Revenue expenditure.
<b>Total Useable Reserves</b>	<b>82.107</b>	<b>77.252</b>	<b>73.199</b>	

### **Council Fund Balance (Un-earmarked Reserve)**

3. The Council Fund balance currently stands at £5.6m. In setting its 2024/25 budget the council agreed to keep this minimum £5.6m un-earmarked reserve, to meet any unforeseen cost pressures and unexpected events outside of the council's control. The nature of this reserve is such that the Council wouldn't ever plan to use this reserve, it is a reserve to be used in the most extreme circumstances. Should there ever be a call on this reserve, there would need to be a plan to replenish the reserve to its level of £5.6m.
  
4. There is no determined level of reserves that is necessary for councils to hold as that is a matter of judgement for each council to make. Previously £5m has been the level for some years and as the council's net revenue budget has increased (due to high levels of inflation) in recent years its value has been eroded. £5.6m is 2.06% of the current net revenue budget (2024/25) and it is an aim to increase the level of un-earmarked reserves over the medium term. The Council's net budget proposed in appendix 1 is £291m, at the current level of £5.6m our unearmarked reserve is just 1.91%. It is therefore proposed to include a £0.5m pressure to contribute to the reserve to maintain the proportion of un-earmarked reserves to net budget. This would bring the percentage of un-earmarked reserves to 2.24% of net budget.

## Earmarked Reserves

5. The Council also has earmarked reserves which are set aside for specific purposes, either to fund a known future pressure, loss of income or to mitigate against a possible risk. Some are restricted in their use by, for example, the terms and conditions of grants where their source is government funding. Earmarked reserves are also used by services to manage their budgets and are regularly reviewed and challenged as part of budget monitoring and work on setting annual budgets.
6. Reserves can only be used once and reliance on reserves is not sustainable. Reserves should be used to fund time limited or one-off expenditure, rather than recurring expenditure.
7. The Council holds centrally held earmarked reserves set out in the table below to assist in managing its budget over the medium term.

<b>Reserve</b>	<b>Est 1<sup>st</sup> April 2025 (£m)</b>	<b>Purpose</b>
Budget Mitigation Reserve	6.659	Mitigate any in-year budget risk from in year overspends, and where savings are less than forecast, or cannot be achieved.
Transformation Reserve	1.041	Pump prime funding for transformation projects.
General Pay Reserve	4.375	General Pay Reserve used to fund all corporate matters relating to pay including future exit costs, any in year shortfalls in the pay award, pay and grading structure review and pension surplus or deficits.