

Cabinet Member

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## Reserves Review

### 1 Summary and Purpose of Report

1.1 As part of the Annual Service Delivery Plan 13.8 the Head of Finance is charged with

*Review earmarked reserves with a view to free up funding to assist with delivery of priority capital projects. (subject to formal approval) with Officer review to be undertaken by **October 2025** with report to Cabinet by **November 2025**.*

1.2 This report gives the outcome of that review.

### 2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 The review and potential reallocation of resources will assist with the achievement of Corporate priorities.

### 3 Recommendations

3.1 Cabinet are asked to **approve** the transfers from reserves detailed in paragraph 5.4 and **[Annex 1]**.

3.2 Cabinet are asked to **approve** the transfers from reserves detailed in paragraph 7.2.

## 4 Introduction and Background

4.1 The Council currently holds 23 reserves totalling £39.4m for various purposes with current balances of between £11m (General Revenue) and £7k (Democratic Representation).

4.2 These reserves can be broadly classified into three categories

- General - These are reserves that have no specific purpose
- Risk - These are reserves that have been set up for contingent purposes.
- Specific - These are reserves that have been established for specific projects.

4.3 Using the current MTFS and allowing for additional withdrawals agreed by members the balance on the reserves will reduce to £29m by the assumed date of re-organisation in April 2028. This does not allow for the use of reserves for the 'New Angel' post RIBA stage 2 but if the project was to continue the reserves would reduce by a further £8.75m to £20.2m. It should also be noted that the General Revenue Reserve (GRR) would also require a further £3.3 million in 2028/29, primarily as a result of increased costs on the Waste Contract and assumed reductions in Government Funding, reducing the balance to £17.9m.

4.4 This includes below zero balances in respect of Building Repairs and Planning, both have higher expenditure levels than previously anticipated and examination of these areas are required in more detail to maintain a positive balance.

## 5 Proposal

5.1 In examining the balances held, the Head of Finance has discussed the reserves with individual services to assess any requirements for the need for balances in the next few years.

5.2 Where the service and Head of Finance are in agreement, any excess funds have either been released to the General Revenue Reserve or transferred to a more appropriate reserve.

5.3 Details of the proposal have been shown in **[Annex 1]**, the result is a transfer of £2.1m to the General Revenue Reserve and a further £100,000 between already established reserves.

5.4 The main changes to the reserves are as follows;

- Property and Multi Asset Reserve - The reserve was established to assist with any losses that may have arisen from the capital value of the balances held. In recent years two of the investment companies have returned funds

to the Council and the losses have remained stable. The proposal is that the balance held will equate to the current capital losses shown and a contingent balance. It is felt that allowing for this balance £1.25m could be released for other purposes.

- Business Rates Retention Reserve – This reserve was established to hold any gains that we made under the Business Rates Retention Scheme established in 2013. The balance held includes funds used for economic regeneration purposes and a contingent sum to cover losses if the Council falls into what is known as a safety net position. Following the last two Business Rates revaluations and the increased development of businesses within the Borough, the Council is now above the Government set baseline. It is felt that the remaining contingency could be reduced or fully released up to a maximum of £400,000.
- Leisure Trust Reserve – This reserve was established upon the creation of the Leisure Trust in 2013 to cover short term losses that could have occurred within the Trust. Following discussions with the Director of Street Scene, Leisure and Technical Services, it is felt that the Trust are well established, and losses are now unlikely, enabling the release of the remaining £200,000 held within the reserve.
- Invest to Save – It is proposed that the balance is transferred to the Transformation Reserve to assist with further projects within the Council.
- Elections Reserve – This reserve has been established to smooth the effect of the Borough Council elections held every 4 years, contributing £35,000 per annum to the reserve and then withdrawing the actual costs when the election is held. Following discussions with the Elections Manager it is felt that the contribution could be reduced to £30,000 per annum and the balance reduced by £50,000 to allow sufficient funds for any elections that are due in the next few years.
- Budget Stabilisation Reserve – This reserve was primarily established using additional funds awarded from Covid and Funding Guarantee arrangements over recent years. These funds were subsequently used to pay for the costs associated with the utility guarantee for the Leisure Trust, market supplements and the costs associated with additional costs of finance staffing associated with the monitoring of large scale projects being undertaken by the Council. In the case of the Leisure Trust Utility payments, it is felt that this is no longer required as a result in the changes in market and inflation conditions. Market Supplements although were agreed for a three year period now form part of the base budget within the MTFS from 2026/27 onwards. This leaves the commitment in respect of staffing, depending on the members thoughts and the timing of Local Government Reorganisation, the Head of Finance believes that a sum of £200,000 could be released back to the General Revenue Reserve.

- Transformation Reserve – there are three elements to this reserve, the first arises from New Burdens awards received for the payment of administrative and software arrangements relating to Revenues and Benefits arising from changes to discounts and Covid arrangements that did not cost the full grant allocation. The second is Corporate Transformation where changes to certain areas of process is required to assist with improved digital interface both externally to the public and internally between officers. The final element relates to Local Government Reorganisation, a small balance of £200,000 was allocated at the end of the 2024/25 financial year to assist with staffing transition from the current position to the one due to be announced in 2026.
- Other changes – Where there are small balances held it is proposed that these are released to the General Revenue Reserve and any future costs be funded from this balance.

5.5 Following these transfers the General Revenue Reserve will hold a balance of £11.25m

## 6 Maintaining Reserve Balances

- 6.1 At the present time the council only has one stipulation on the levels of balances held, this comes from the MTFS and states that the General Revenue Reserve balance should be at least £3m at the end of the 10 year MTFS period and cannot fall below £2m at any year end. That being said, the Head of Finance, as the Section 151 Officer, should make provision within the reserves to ensure that planned expenditure is met and the reserve does not fall into a negative position.
- 6.2 Although the transfer back to the General Revenue Reserve is welcome, the authority is facing pressures on several other reserves, such as Building Repairs, Local Plan, Planning Appeals and funds held to support the Council's transition for Local Government Reorganisation.
- 6.3 Building Repairs – The maintenance of Council owned assets are a key priority to maintain services. Since Covid the costs of both labour and building supplies have significantly increased to the point where the previously standard contribution of £750,000 per annum, rising to £820,000 to allow for the costs of Council owned Homelessness Properties will not be sufficient and the reserve is expected to fall into a negative position. Whilst there will always be slippage between years, a one off injection of funds should prevent the negative position occurring.
- 6.4 Local Plan – The Council is currently undertaking Regulation 18 consultation on the local plan. The MTFS currently has a contribution of £160,000 per annum to provide the plan, however the estimated costs to provide full consultation and approval of the plan would require a further estimated £300,000 to £350,000 by the time the plan is implemented in 2028.

6.5 Planning Appeals – In the absence of a formally agreed local plan the council remains open to appeal challenge in relation to planning applications rejected by officers and members. The current budget includes an annual sum of £100,000 to deal with what are considered minor application appeals, the council also holds a small reserve in respect of the Council cost of major application appeals, a recent report to members has highlighted this issue and requested an additional sum to improve the ability to finance the council's defence on appeals lodged. There is no provision for the award of costs against the Council contained within the current budget or reserves.

6.6 Local Government Reorganisation – This has been highlighted by the Council's External Auditors that the costs of preparation for Local Government Reorganisation can be significant. Whilst most costs are likely to fall to the Shadow and New Unitary Authority, both the Chief Executive and Head of Finance consider that the current balance needs to be increased to assist our staff to improve their knowledge and chances for employment post reorganisation. In addition, there is likely to be a need to 'backfill' posts who are working on LGR projects in order to keep business as usual ongoing. Considering this other Districts are being canvassed to assess their levels of funding they consider necessary, but a balance in the order of £2m would not be considered excessive.

## 7 Next Steps

7.1 Firstly, Cabinet should consider the proposed transferred back to the General Revenue Reserve. They then need to consider the potential uses for these funds given the information provided above.

7.2 The Head of Finance is suggesting the transfers from the General Revenue Reserve to the following reserves

To	Transfer Value £000's
Angel Centre Build Costs	1,000
Building Repairs	250
Local Plan	350
Transformation – Local Government Reorganisation	400
<b>Total</b>	<b>2,000</b>

7.3 This will leave an estimated balance of £9.25m in the General Revenue Reserve on 31<sup>st</sup> March 2028 based upon the current MTFS projections. Cabinet should note that an estimated £3.5m is expected to be withdrawn from the General Revenue Reserve in 2028/29 to cover various revenue expenditure.

## **8 Financial and Value for Money Considerations**

8.1 Covered within this report

## **9 Risk Assessment**

9.1 The Council is required to hold adequate reserves for major expenditure issues that may arise.

## **10 Legal Implications**

10.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (in our case the Head of Finance) when making the statutory calculations required to determine its council tax to report to an authority, on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. These changes will be reflected in the statement presented to members in February 2026.

## **11 Consultation and Communications**

11.1 None required.

## **12 Implementation**

12.1 If approved the changes will be reflected in the estimates presented to Overview and Scrutiny Committee in January 2026.

## **13 Cross Cutting Issues**

13.1 None.

Background Papers	None
Annexes	Annex 1 - Reserves Analysis