



<b>Report to:</b>	Cabinet	6th February 2024
<b>Lead Cabinet Member:</b>	Councillor John Williams, Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock	

## Review of Earmarked Reserves

### Executive Summary

1. To undertake a review of the Council's Revenue Reserves and Provisions as part of the 2024/2025 budget setting process.
2. Earmarked reserves are held to fund specific projects or proposals and the total balance held is significant in the context of the Council's overall financial position. It is good practice to review these as part of the budget process.

### Key Decision

3. No.

### Recommendations

4. **That Cabinet is requested to consider the report and, if satisfied, recommend to Full Council:**
  - (a) **That the Reserves as summarised at paragraph 12 of the report be released and transferred to the General Reserve or transferred to other reserves as appropriate on 31 March 2024.**
  - (b) **That the movement in Reserves in 2023/2024 as set out in Appendix A, and the estimated balance of Reserves of £36.132 million, be noted.**

### Reasons for Recommendations

1. To ensure that the Council regularly reviews the balances held in established reserves to confirm that the allocations remain valid and thus still needed for the purposes outlined and that they are at the correct level to meet this requirement.

## Details

### Background

5. When reviewing their medium-term financial plans and preparing annual budgets local authorities should consider the establishment and maintenance of reserves but they should not be held without a clear and identified purpose. Reserves can be held for three main purposes:
  - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
  - a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.
6. The Cabinet is invited, as part of the 2024/2025 revenue budget determination process, to review the level and purpose of the Council's Revenue Reserves. A detailed summary of the various Reserves held during 2023/2024 is attached at **Appendix A**.
7. The value of earmarked Revenue Reserves held at 1 April 2023 was £33.602 million. Based on the original budget, it was expected that between the period 1 April 2023 and 31 March 2024 the level of earmarked reserves will have increased to £36.132 million.
8. The revision to the budget for 2023/2024 will change the outturn position for some of the reserves listed but the report is more concerned about those reserves that are no longer required or additional ones that need to be created.

### Review Process

9. The Cabinet, in reviewing the existing reserves, must give due regard to professional guidance which includes consideration of the following issues:
  - The reason/purpose of the reserve;
  - How and when the reserve can be used;
  - Procedures for the reserves management and control;
  - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
10. The focus of the review, as part of the 2024/2025 revenue budget process, will be to ensure that they are still relevant and held at the right balance.
11. The schedule of Reserves, at **Appendix A** identifies financial movements during 2023/2024 against the established revenue reserves and the estimated balance as at 31 March 2024.
12. The revenue reserves proposed for release to the General Fund on 31 March 2024 total £28,000. The revenue reserve proposed for closure and reallocation totals £2,293,000. The details are summarised below:

<b>RESERVES</b>	<b>Estimated Balance 31/03/2024* £'000</b>
<b>Transformation and Corporate Services</b>	
Sports Development	4
	<u>4</u>
<b>Housing Services</b>	
Supporting People	2
Saxon Close Commuted Sum	16
	<u>18</u>
<b>Environmental Health</b>	
Milton Sports Lake	6
	<u>6</u>
<b>Finance Services</b>	
A14 Reserve	2,293
<b>TOTAL</b>	<u><u>2,321</u></u>

13. The A14 reserve was created to hold amounts set aside to pay over to Highways England over a 25 year period. Toward the end of the 2022/2023 financial year though agreement was reached with Highways England to commute the £6.05m contribution held to a one off payment of £3.757m instead of 25 annual payments of £242,000. The remaining balance of £2.293m is no longer required and it is proposed to transfer this to the Renewables Reserve on 31<sup>st</sup> March 2024.
14. There are no new reserves planned for 2024/2025.

## Options

15. The option of not reviewing Reserve and Provision balances is not considered to be appropriate as otherwise valuable resource which may be needed elsewhere could be inappropriately allocated.

## Implications

16. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

## Financial and Fraud Risk

17. The value of Reserves and Provisions held is set out in the report. They are reviewed on an annual basis to determine whether (i) they are still needed for purposes outlined and (ii) they are at the correct level to meet this requirement. There are no fraud risks identified as part of this report.

## **Legal**

18. Reserves are held to fund specific initiatives or held to cover unforeseen events within the Council's prudent financial management arrangements. The requirement for financial reserves is acknowledged in statute; specifically, Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
19. Provisions must be established for any material liabilities of uncertain timing or amount to be settled by the transfer of economic benefits. They are required, therefore, when the local authority has a present obligation as a result of a past event. A Provision should be made on the date of the obligating event – the date on which the event takes place that results in an authority having no realistic alternative to settling the obligation. Conversely, amounts set aside for purposes falling outside the definition of Provisions should be considered as reserves.

## **Risks/Opportunities**

20. The Council maintains Revenue Reserves and Provisions to help fund specific initiatives or to cover unforeseen events (i.e. risk mitigation) within the Council's prudent financial management arrangements.

## **Equality and Diversity**

21. This report is exclusively to consider support and administrative arrangements and has no direct relevance to the Council's duty to promote equality of opportunity, promote good relations and eliminate unlawful discrimination.

## **Alignment with Council Priority Areas**

## **Background Papers**

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

## **Appendices**

Appendix A: Schedule of Earmarked Reserves

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