



**REPORT TO:** Cabinet

6 February

**LEAD CABINET MEMBER:** Councillor John Williams, Lead Cabinet Member for Resources

**LEAD OFFICER:** Peter Maddock, Head of Finance

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## Review of Earmarked Reserves

### Executive Summary

1. To undertake a review of the Council's Revenue Reserves and Provisions as part of the 2023/2024 budget setting process.
2. This is a key decision as 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.

### Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, recommend to Full Council:**
  - (a) **That the Reserves as summarised at paragraph 11 of the report be released to the General Fund or transferred to other Earmarked Reserves as shown, on 31 March 2023.**
  - (b) **That the IT software and hardware reserves be amalgamated at 31 March 2023 to provide the necessary flexibility.**
  - (c) **That the movement in Reserves in 2022/2023 as set out in Appendix A, and the estimated balance of Reserves of £29.830 million (+), be noted.**

### Reason for Recommendations

4. 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 2023/2024 revenue budget determination process, to review the level and purpose of the Council's Revenue Reserves. A summary of the various Reserves held during 2022/2023 is attached at **Appendix A**.
7. The value of earmarked Revenue Reserves held at 1 April 2022 was £32.891 million. Based upon current forecasts, it is expected that between the period 1 April 2022 and 31 March 2023 the level of earmarked reserves will have reduced to £29.830 million.

#### Review Process

8. 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.
9. The focus of the review, as part of the 2023/2024 revenue budget process, will be to ensure that they are still relevant and held at the right balance.
10. The schedule of Reserves, at **Appendix A**, identifies the General Fund Earmarked Reserves currently held and the movements included within the 2022/23 estimate. These include additions to, removals from and transfers between Earmarked Reserves.
11. The revenue reserves proposed for release or transfer to other reserves at 31 March 2023, following the review, total £68,000 and are summarised below:

<b>RESERVES</b>	<b>Estimated Balance 31/03/2023* £'000</b>
<b>Transformation and Corporate Services (Release to General Fund)</b>	
Sports Development	4
	4
<b>Environmental Services (Transfer to Accommodation Reserve)</b>	
Air quality monitoring	50
Environmental General Reserve	24
	64
 TOTAL	 68

*(Note: Further expenditure could potentially be incurred during the remainder of 2022/2023, therefore, reducing these balances as at 31 March 2023).*

12. It is also proposed that the software and hardware IT reserves be amalgamated as this should provide a bit more flexibility. The most significant call on this reserve is likely to be for laptop replacement and indeed £100,000 is required in 2023/24.

## **Options**

13. The option of not reviewing Earmarked Reserves is not considered to be appropriate as otherwise valuable resource which may be needed elsewhere could be inappropriately allocated.

## **Implications**

14. 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:

### ***Policy***

15. The Medium-Term Financial Strategy (MTFS), approved by Cabinet on 12 December 2022, requires the Cabinet to identify, as part of the annual budgetary process or at such other times where it is necessary, one-off unavoidable expenditure and one-off expenditure for identified requirements. Such funding will be held in earmarked reserves until spent but will be subject to annual review by the Cabinet as part of the annual budget process to determine whether the monies still need to be held.

### ***Legal***

16. 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.

### ***Financial***

17. The value of Earmarked Reserves held is set out at Appendix A. 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.

### ***Risk***

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

### ***Environmental***

19. There are no environmental implications arising from this report.

### ***Equality Analysis***

20. 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.

### **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.

The following documents are relevant to this report:

- Review of Reserves & Provisions – Report to Cabinet: 5 February 2020
- General Fund Revenue Budget 2022/2023 – Report to Cabinet: 7 February 2022
- General Fund Revenue Budget 2022/2023 – Report to Council: 22 February 2022
- Medium Term Financial Strategy – Report to Cabinet: 12 December 2022
- Medium Term Financial Strategy – Report to Council: 21 February 2023

### **Appendices**

A Reserves held in 2022/2023

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