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**To:** Finance and Corporate Services Scrutiny Board (1)

**Date:** 15<sup>th</sup> February 2023

**Subject:** Reserve Balances

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## **1 Purpose of the Note**

- 1.1 The Scrutiny Board 1 work programme include an item to review the position in relation to the Council reserve balances. Information has been provided in an Appendix to this report which shows balances for each individual reserve areas over a two year period. These are listed in the size of the balance in April 2022 (largest first) within categories. In addition, a brief description has been provided for each balance.

## **2 Recommendations**

Members of Scrutiny Board are recommended to:

- 2.1 Note the contents of the presentation and the detailed reserves listing.
- 2.2 Identify any recommendations for the Cabinet Member (Strategic Finance and Resources)

## **3 Information/Background**

- 3.1 The Council's total level of non-schools revenue reserves stood at £140.5m at 31<sup>st</sup> March 2022 and capital reserve were £36.7m. The Council is also required to account for £31.0m of reserve balances that belong to the city's schools or are funded from Dedicated Schools Grant and are therefore ring- fenced for schools' usage.
- 3.2 It should be noted that in addition the Council's reserve balances include an extra-ordinary balance of £18.6m at the end of 2021/22. Government Covid Business Rates reliefs announced for 2021/22 had the effect of reducing the amount of Business Rates payable in-year causing a deficit within the Business Rates Collection Fund. Accounting rules mean that the corresponding grant (from Government) cannot be applied to the Collection Fund until 2022/23 and must be carried forward within General Fund reserves. This treatment will be common to all billing authorities across England. To ensure like for like comparisons this balance is treated as an extra-ordinary item here.
- 3.3 There are several reserve balances that warrant initial coverage due to their value.
- A range of reserves relating to Adult Social Care in excess of £28m are held representing Health resources rolled forward through the Better Care Fund, to meet pressures within Adult Social Care as part of the budget setting process, to fund projects in 2022/23 and as in-year undespends of iBCF resources.
  - Reserves totalling £11m held as a legacy from the Covid pandemic which the Council will utilise as part of its overall response to ongoing budgetary issues.
  - Reserves held to fund future early retirement and voluntary redundancy costs resulting from programmes to deliver the staffing savings required to balance the budget. This stands at £9.3m currently.
  - A further £9.6m of reserve are held to manage the cashflow requirements of the financial models for the Council's 3 Private Finance Initiative schemes. These

reserves will be uses (and the balance will fluctuate) over the 25-year plus lifetimes of the schemes

- Capital receipts (proceeds from the sale of capital assets) have been generated in recent years and these amounted to £31.2m at the end of 2021/22. These receipts will or may be required to fund several developments over the coming period include the Council's investment in City Centre South, the Woodlands School rebuild and the Cultural Gateway Project and the revenue saving (funding of capital expenditure included in the 2023/24 Budget.

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