
To: Finance and Corporate Services Scrutiny Board

Date: 6th November 2024

Subject: Reserves Balances 2024

1 Purpose of the Note

1.1 The Finance and Corporate Services Scrutiny Board (1) work programme includes an item to review the position in relation to the Council reserve balances. Information has been provided in Appendix 1 which shows balances held on 1st April 2024. A brief description has been provided for each balance.

2 Recommendations

2.1 The Finance and Corporate Services Scrutiny Board (1) is recommended to:

1. Consider the contents of the briefing note, presentation and the detailed reserves listing in Appendix 1.
2. Identify any recommendations for the Cabinet Member (Strategic Finance and Resources)

3 Information and Background

3.1 The Council's total level of non-schools revenue reserves stood at £118m at 1st April 2024 and capital reserves were £26m. The Council is also required to account for £38m 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 There are several reserve balances that warrant initial coverage due to their value.

- **Adult Social Care:** This reserve represents the largest area of balances (£19.6m). These are overwhelmingly funded through ring-fenced grant and health sector resources for the delivery of jointly managed pooled budget arrangements with Health.
- **Financial Risk Contingency:** This was set aside during 2023/24 by resource switching capital receipts. This was to enable some protection from future budget pressures, and we would be looking to increase the balance of this through a future review of reserves to ensure the Council has greater resilience against financial shocks. The balance of this reserve currently stands at £8.5m
- **Early retirement and Voluntary Redundancy:** This is to fund Early Retirement and Voluntary redundancy costs resulting from programmes to deliver any staffing savings required to balance the budget. The most recent contribution was agreed

as part of the 2018/19 Outturn report to Cabinet, with the balance at the April 2024 of £7m. The current financial climate supports the requirement for such reserves.

- A further £6.7m 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 used (and the balance will fluctuate) over the 25 years plus lifetimes of the schemes. As part of 2016/17 Budget Setting a decision was taken to utilise £1m per annum for the next ten years or so years before then repaying these amounts over the remainder of the schemes' lifetimes.
- There is a reserve to manage Business Rates volatility under the existing Business Rates Retention which is in place currently. This currently stands at £5m and recent significant appeals continue to justify a significant balance being maintained.
- There are 3 reserves totalling c£12m which were previously approved regarding Funding for the Future. These are Reset & Recovery (£5.5m), Innovation & Development (£4.3m) and Commercial Developments (£2.5m) and are specifically for business case based investments in support of the Medium Term Financial Strategy and other Council strategic priorities.

3.3 In addition to these there are a number of lower level service and corporate earmarked reserves shown as 'other' in the reserve tables, and are primarily linked to grant schemes, smoothing reserves and technical items including:

- (£1,497k) Residual Emergency Covid Funds held corporately
- (£1,135k) Finance Lease Management: Smoothing reserve for annual technical adjustments required under IFRS16
- (£712k) Home care: Health resources rolled forward from BCF, managed through Adult Joint Commissioning Group
- (£475k) Mandatory Licencing in Housing: Ring fenced account for licence fees received in advance for multiple years
- (£500k) SEND & Disability: Held to support cost pressures within SEND for 2024/25
- (£207k) Individual electoral registration: Fund to support costs, as future funding by Cabinet office is uncertain
- (£205k) Family Drug & Alcohol Court: Funding to support FDAC partnership in 2024/25
- (£154k) Rough Sleepers grant

3.4 Appendix 1 shows all of the reserve balances as of 1st April 2024, and provides a narrative to the purpose and intended uses of these earmarked reserves.

3.5 As referenced in 3.2, officers will be carrying out a review of reserves not to identify flexibility, but to provide resilience against risk in the current operating climate. The s151 officer is currently of the view that the existing level of reserves represents a minimum level given the potential financial risks the Council is facing as set out in the budget report. As part of this review, the s151 officer will be approving the use of all reserves to ensure balances are protected as much as is possible.

Tina Pinks
Corporate Finance Manager
tina.pinks@coventry.gov.uk