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**To: Finance and Corporate Services Scrutiny Board**

**Date: 16<sup>th</sup> July 2025**

**Subject: Reserves Balances 1<sup>st</sup> April 2025**

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## 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 an Appendix 1 which shows balances held on 1<sup>st</sup> April 2025 and is consistent with closing balances reported in the Revenue and Capital Outturn Report 2024-25. 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, and the detailed reserves listing in Appendix 1.
  2. Identify any recommendations for the Cabinet Member for Strategic Finance and Resources

## 3 Information and Background

- 3.1 The Council's total level of non-schools revenue reserves stood at £119m at 1st April 2025 and capital reserves were £48m. The Council is also required to account for £40m 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 specific mention due to their value.
- **Adult Social Care:** This reserve represents the largest area of balances (£14.7m). 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 initially set aside during 2023/24 by resource switching capital receipts. This was to enable some protection from future budget pressures, and we have increased the balance of this by adding the £1.8m underspend from 2024-25 to ensure the Council has greater resilience against financial shocks. The balance of this reserve currently stands at £13.3m.

- The £12.2m **Commercial, Reset & Innovation** reserve is the combination of 3 reserves which were previously approved regarding Funding for the Future. These were Reset & Recovery (£5.4m), 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.
- There is a reserve to manage **Business Rates** volatility under the existing Business Rates Retention which is in place currently. This currently stands at £9.2m and recent significant appeals continue to justify a significant balance being maintained as well as the unknown impact of the government's planned reset in 2025.
- **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 2025 at £7m. The current financial climate supports the requirement for such reserves.
- A further £4.1m 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.

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

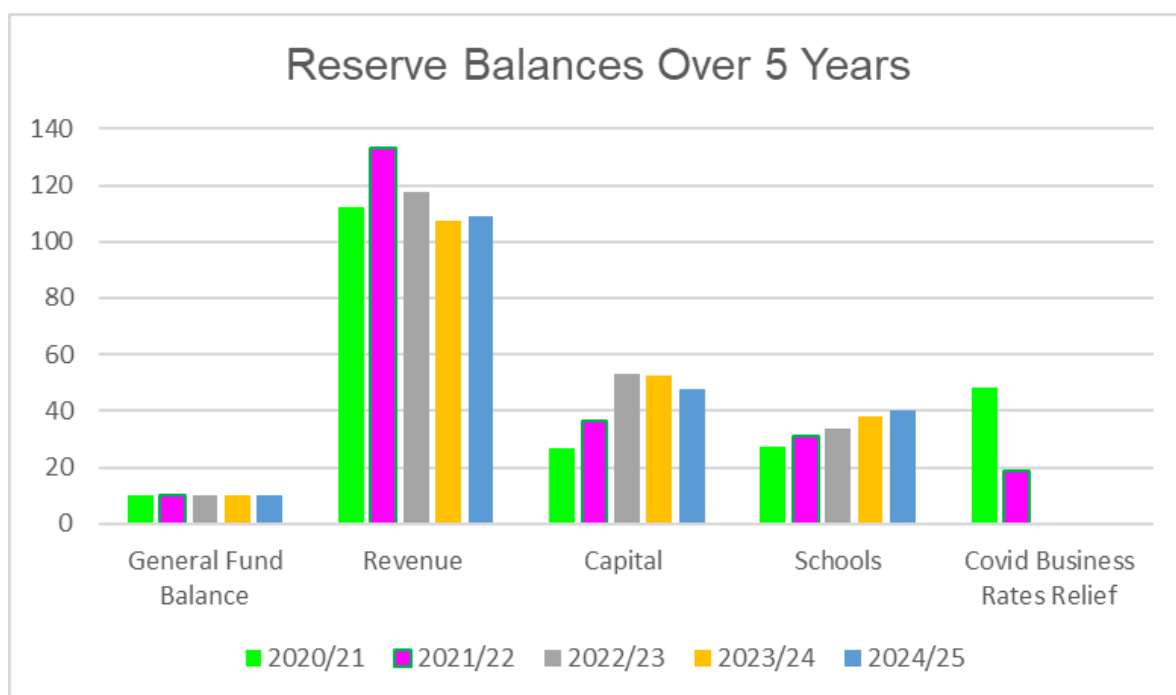
- (£4.0m) **Emergency Covid Resources:** set aside and held to manage medium term Covid legacy issues. This reserve has been called on during both 2022/23 (£6.7m) and 2023/24 (£1.8m) to balance the Council bottom line overspend at year end, which has enabled us to retain the balance within our general fund.
- (£1.6m) **Friargate Lifecycle:** A property fund to ensure maintenance costs expected to increase in years 5-10 are not a burden on annual budgets.
- (£1.2m) **Finance Lease Management:** Smoothing reserve for annual technical adjustments required under IFRS16
- (£1.2m) **Corporate Property Management:** Smoothing reserve for large value repairs and maintenance projects.
- (£1.2m) **ICT Replacement Programme:** Management of the rolling corporate programme of laptop & PC replacement.
- (£1.0m) **City of Culture Programme:** A combination of legacy funding and reserves held for future events.
- (£0.9m) **Mandatory Licencing in Housing:** Ring fenced account for licence fees received in advance for multiple years

3.4 Appendix 1 shows all of the reserve balances as at 1<sup>st</sup> April 2025 and provides a narrative to the purpose and intended uses of these earmarked reserves.

- 3.5 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. The s151 officer will be approving the use of all non-school revenue reserves to ensure balances are protected as much as is possible.
- 3.6 Capital Reserves relate to balances generated from capital receipts and capital grants to fund future capital projects. The balances can only be used on capital expenditure and reflect the decisions made as part of the Council's Corporate Capital Programme.

#### 4 Historic Reserve Balances

- 4.1 The table below shows the balance of the key reserve categories over the last 5 years.
- 4.2 General fund has remained stable, as we were able to utilise other earmarked reserves to support the adverse outturn positions witnessed during the previous two financial years.
- 4.3 2020/21 and 2021/22 included an extra-ordinary balance of £48m and £19m retrospectively. Government Covid Business Rates reliefs announced previously had the effect of reducing the amount of Business Rates payable in 2021/22 causing a deficit within the Business Rates Collection Fund. Accounting rules meant that the corresponding grant (from Government) could not be applied to the Collection Fund until 2022/23, where the grant was utilised in full.



**Tina Pinks**  
Corporate Finance Manager