

## Reserves Statements

The Statement of Accounts that are produced each year details all the Council's reserves and explains why they are held. Reserves are reported in two categories: unusable and usable reserves. Unusable reserves include those reserves which are kept to manage the accounting processes for non-current assets, retirement and employee benefits. Unusable reserves cannot be used to provide Council services. Usable reserves are those reserves that a Council may use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The level of usable reserves the Council holds is reviewed each year as part of the budgetary process. Consideration is given to the current financial standing of the Council, the funding outlook into the medium term and the financial risk environment the Council is operating in.

Councils generally hold usable reserves for a number of reasons:

- To use at a later date to support investment projects
- To temporarily hold unused portions of grants that can be legally used at a later date
- To insure themselves against major unexpected events such as flooding
- To guard against general risk
- To smooth the impact of funding reductions
- To guard against emergent specific risks, such as business rate appeals, increased demand, and the impact of social care reform.

The Council's usable reserves are as follows:

- General Reserve: held for non-specific items and risks
- Earmarked Reserves: amounts held for specific schemes and for specific purposes e.g. self-insurance

During 2023-24, General Fund reserves are expected to reduce due to the in year forecast overspend. The level of Earmarked reserves held is the lowest compared to other Councils and highlights the financial risk that the Council has through having little 'buffer' for unforeseen events due to the overspend position in 2022-23.

A summary is shown in the following table:

Reserve	Balance as at 31.3.21	Balance as at 31.3.22	Balance as at 31.3.23	Forecast balance as at 31.3.24
	£m	£m	£m	£m
General Fund (unallocated) including specific risk reserves	12.1	12.9	7.2	4.0
Earmarked reserves	38.5	23.8	4.4	3.7
<b>WBC General Fund total</b>	<b>50.6</b>	<b>36.7</b>	<b>11.6</b>	<b>7.8</b>
School balances	8.0	11.0	14.0	14.0
<b>General Fund total</b>	<b>58.6</b>	<b>47.8</b>	<b>25.6</b>	<b>21.7</b>

## The General Reserve

The purpose of the General Reserve is to act as a fund to be used in emergencies and to protect council taxpayers from any steep rises in future Council Tax if the Council over spends against its budget. The s151 officer, Executive Director (Resources) recommends that the General Reserve totals, as a minimum, £7m of the Council's net revenue expenditure.

The calculation of the £7m is based on the below. It is very unlikely that all of these risks would occur at the same time. There is a cumulative risk of a number of these factors taking place over a short period of time, as seen in the 2022-23 and 2023-24 financial years. The purpose of the general reserve is enable the Council to continue to function and perform its services without significant impediment. If the reserve was to be at £0 or forecast to be at that level, then the Council would need to be issued with a s114 notice by the s151 officer:

Item	Rationale	Amount
Pressure on demand and significant income budgets	A 5% movement on demand budgets and on reduced income	£5.7m
Pressure on traded budgets	A 10% movement on traded budgets,	£0.2m
General risks to cover the items below	See items below	£1.1m
<b>Total minimum required General Reserve</b>		<b>£7m</b>
<b>Forecast General Reserve (including service specific risks) as at 31.3.2024</b>	Service specific risks are part of general reserves	<b>£4.0m</b>

The General Reserve is expected to cover any of the following risks should they arise:

- The impact of significant increases in demand
- Lack of delivery of all savings targets
- Economy measures and service reductions always contain some degree of uncertainty as to whether their full effects will be achieved
- Unforeseen events such as the flooding during January 2014 or Covid-19 in 2020-21
- Litigation
- Changes from specific grants to the non ring fenced government grants
- Grants being introduced or removed mid-year
- Unforeseen circumstances
- General day to day cash flow needs and avoid unnecessary temporary borrowing
- Reduced income due to deferred income and social care clients' property decreasing in value

## Schools balances

This is an amalgamation of unspent and overspent balances.

## Earmarked Reserves

The Council has other reserves which are earmarked for specific purposes. The main items are as follows:

## Parish special expenses

These are explained in detail in Appendix H.

### **Self-insurance fund**

This fund has been established to ensure that costs to the Council in relation to claims can be met whilst limiting the impact of higher premiums on the Council's revenue budget. The fund is used to pay the first £250k of any property claim and the first £100k of other claims. External insurance covers the balance of claims.

**Collection Fund volatility** - to support the volatility associated with taxbase estimates upon which the Council Tax is collected, and business rates in relation to estimates, appeals and timing. As per other elements of previous budget papers, there has been significant volatility in the collection fund, especially in respect of business rates, and a three year spread of the deficit from 2021-22 across the period 2021-24 has been taken. This reserve has now been depleted due to the ending of the spreading of the Collection Fund deficit.

**Transformation** - In order to support the Medium Term Financial Strategy to deliver its transformation plans, the Executive established a Transformation Reserve. This will ensure that the Council has the resources to pursue plans outlined in the MTFs and to invest in strategies that will bring future benefits to the organisation. The reserve was increased during 2019-20 to support future transformation projects but now has a very low balance which will be increased with the proposed flexible use of capital receipts (see the Capital Strategy). The Council is forecasting to dispose of assets in late 2023-24 and during the 2024-25 financial year so this reserve is expected to be increased to enable transformation activity.

**Service risk reserves:** Within the Earmarked Reserves are Service Specific Risk Funds, however, these are all but depleted – ideally, the following levels would be set:

Risk Reserve	Forecast as at 31.3.2024	Ideal level of reserve / £m
Adult Social Care	0	2.0
Children and Families	0	1.5
Education	0	0.5
Legal disbursements	0	0.1

There are significant risks in social care at present for 2023-24; if inflation rises above the budget provision of 3%, it would have an impact, with further pressures on staffing and placement costs.

There is a Displaced persons<sup>1</sup> fund of £1.5m forecast for year end from the Council's work and Government funding supporting displaced persons.

The MTFs has provision for an increase of reserves of £6m at present by 2028; this would enable the general fund reserve to be increased to the minimum level and with much of the above risk reserves enhanced to closer to the ideal level.

**Commuted sums:** Ring-fenced for specific schemes and cannot be added into general fund reserves.

### **Other**

Other specific earmarked reserves are in place to support specific service requirements or projects.

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<sup>1</sup> The Council has received Government funding for pressures from displaced persons; this funding is reducing but costs in the future are being included as part of wider housing and other service pressures.

A full list of the Council's reserves are disclosed in the Council's financial statements 2022-23 available on our website. Please note that these reserves estimates are before any changes from the 2021-22 and 2022-23 financial year end which will be reported in the Council's financial statements once they have been audited.