

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		27/10/25 & 28/10/25
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	Yes	21/10/25
Relevant Group Head review		
MAT+ review (to have been circulated at least 5 working days before Stage 2)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)	OO	21/10/25
Risk comments (circulate to Lee O’Neil)	LO	24/10/25
Legal comments (circulate to Legal team)	LH	24/10/25
HR comments (if applicable)		

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	24/10/25
S151 Officer commentary – at least 5 working days before MAT	T. Collier	21/10/25
Confirm final report cleared by MAT		

Corporate Policy and Resources Committee

11 November 2025

Title	Reserves Strategy 2026-27
Purpose of the report	To make a recommendation
Report Author	Terry Collier, Deputy Chief Executive (s.151 Officer)
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Resilience
Recommendations	Committee is asked to: Recommend to Council that it approves the: • Reserves Strategy for 2026-27; • Repurposing of the earmarked Sinking Fund reserves as a revenue budget equalisation reserve
Reason for Recommendation	Effective and sustainable use of reserves is a key element of the Council's Medium Term Financial Strategy and ensuring the Council's continued financial sustainability

1. Executive summary of the report

What is the situation	Why we want to do something
• The context of the risks the Council are facing have changed significantly • The Council is no longer looking to hold the majority of its investment assets on a long term basis • The Council has had to use £15m of reserves to write off accumulated costs spent on preparing assets for development that were originally acquired for regeneration. This strategy was ended by Full Council in October	• As risks change so the Reserves Strategy should be reviewed and refreshed to ensure that the reserves and their balances are appropriate for the risks being faced • Having a clear Reserves Strategy is particularly important in context that 2026-27 is the last year before the balances in those reserves will be passed across to the new West Surrey Unitary Council • There are Budget gaps across the MTFS period which can be eased with the use of reserves

2023 as no longer financially viable (para 2.2) • Future funding uncertainty as a result of Fair Funding and the Business Rates Reset	
This is what we want to do about it	These are the next steps
• Repurpose the Sinking Fund earmarked reserves to support the managed transition to the new Unitary Council and the longer-term process of offsetting the disappearance of the net subsidy from the investment assets portfolio. This will help smooth the impacts of the Medium-Term Financial Strategy • The other reserves will continue to be held for the purposes they have been earmarked for	• For Corporate Policy and Resources Committee to recommend the Reserves Strategy to Council for approval

2. Key issues

- 2.1 The focus of this report is on a further mitigation or transitional adjustment measure to offset the impact of significantly higher Minimum Revenue Provision (MRP) being charged to Revenue as set out in the earlier report on this Agenda, and proposes that within the available earmarked reserves, the current sinking funds reserves are re-purposed to help smooth out impacts arising from the increased MRP and other aspects of the Medium Term Financial Strategy. The report is not proposing re-purposing other earmarked reserves.
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA), in its Financial Management Code, states that “the aim of the authority’s financial reserves is to provide funding for investment in future activities and to act as a safety net in case of short-term financial challenges.”
- 2.3 During the 2023–24 financial year, the Council applied £15.8m from reserves to mitigate the impact of clearing accumulated capitalised costs associated with abortive housing sites. In addition, £6.5m and £7.5m are planned to be applied in 2024–25 and 2025–26 respectively to offset the impact of the Minimum Revenue Provision (MRP) on regeneration assets reclassified as surplus with effect from 1 April 2024.

Despite these applications, the Council retains a reasonable level of reserves. As at 31 March 2025, total usable (Revenue and Capital) reserves stood at **£58.5m** (as reported in the draft 2024–25 Statement of Accounts Balance Sheet), broken down as follows:

Summary of types of reserves and balances as at 31/3/25:

	£m
Total Earmarked Revenue Reserves Useable by the Council	35.3
Plus:	
Developer Contributions	8.4
Unapplied Revenue Grants	6.4
Total Earmarked Revenue Reserves	50.1
Plus :	
General Fund Revenue Reserve	3.9
Total Revenue Reserves	54.0
Plus Capital Reserves:	
Capital Receipts Reserve	2.7
Unapplied Capital Grants	1.8
Total Reserves	58.5

- 2.4 As shown above, earmarked (i.e. set aside for specific purposes) revenue reserves, available for application by the Council (excluding Developers' Contributions and Unapplied Revenue Grants neither of which are available to support general Revenue Budget expenditure) totalled **£35.3m** at the end of 2024–25. However, this figure must be viewed in the context of the Council's outstanding loan debt, which exceeds **£1 billion**. Appendix 1 provides a summary of reserve balances as at 31 March 2025.

- 2.5 Not all reserves are available for use. Some arise from statutory and accounting requirements and are therefore classified as “*unusable reserves*”. These reserves cannot be used for any other purpose and are excluded from the Reserves Strategy, as their creation, purpose, and application are prescribed and not subject to local discretion.
- 2.6 An effective Reserves Strategy must be regularly reviewed and adapted to reflect the evolving risks faced by the Council.
- 2.7 The context within which the Council holds reserves has changed significantly in recent years. Previously, the focus was on retaining investment assets on a long-term basis and managing associated risks by building up earmarked *sinking fund* reserves to support the sustainability of rental income streams.
- 2.8 However, in May 2025, the Council received a set of *Best Value Directions* requiring the implementation of a strict debt reduction programme and the disposal of a substantial proportion of its investment assets. Under the *Improvement and Recovery Plan*, the majority of these assets are expected to be sold over the medium term. Consequently, the original rationale for maintaining sinking fund reserves has materially altered.
- 2.9 Linked to these Best Value Directions, the Council is also revising its Minimum Revenue Provision (MRP) policy. This revision will significantly increase the annual MRP charge to the Revenue Budget, placing additional pressure on overall finances.
- 2.10 To mitigate these pressures, the Council plans to undertake a debt rescheduling exercise and implement a medium-term investment and regeneration asset disposal programme. While these measures will help, they will not fully offset the Budget pressures. Over time, the net subsidy from investment assets will reduce and eventually cease.
- 2.11 To bridge the short-term funding gap and allow time for the delivery of transformational savings—particularly those expected following Local Government Reorganisation (LGR)—the Council may consider using part of the re-purposed Sinking Fund Reserve balances (this is based on the assumption that Asset Rationalisation Strategy progresses in accordance with timescales anticipated). For example, if two-thirds of the 2026–27 Budget gap (currently just under £2m) were met from reserves, approximately **£1.33m** would be funded from reserves and **£0.67m** from in-year savings.

3. Options appraisal and proposal

- 3.1 **Option 1 (Preferred)** – recommend to Council the proposed Reserves Strategy. If the proposed approach is adopted it is estimated that the projected total balances in the earmarked revenue reserves would be as set out in the table below:

Total Estimated Balances in Useable Earmarked Revenue Reserves as at 31st March

	24-25	25-26	26-27	27-28	28-29
	£m	£m	£m	£m	£m
Estimated Balance	35.3	30	21.1	18.6	14.8

- 3.2 **Option 2** – suggest amendments to the proposed Reserves Strategy.
- 3.3 **Option 3** – do not approve a Reserves Strategy. Not recommended as this would undermine the ability to set an informed and sustainable Medium Term Financial Strategy.

4. Risk implications

- 4.1 As the Strategy sets out, reserves are a key risk mitigation tool. The key risks are:
- that the risks faced by the Council are not sufficiently understood to inform correctly the level of reserves balances required to act as an appropriate risk buffer.
 - The purposes for which reserves are set aside are not clearly enough defined or understood.

5. Financial implications

- 5.1 The accumulation of usable reserves involved setting aside resources over time, which in turn enabled the Council to earn interest on these balances. Building up reserves therefore provides greater opportunities to generate investment income, whereas drawing them down reduces this potential. As noted above, the targeted use of reserves can also provide the Council with the necessary time for savings programmes to achieve their intended outcomes. Particularly in the context of the significant resource focus on Local Government Reorganisation it will be important that savings targets are realistically set to be capable of delivering savings by 31st March 2027. Beyond 31/3/27 further transformation savings will then be delivered by the new West Surrey unitary council.

6. Legal comments

- 6.1 The Council is under a statutory duty to make proper arrangements for the administration of its financial affairs (section 151 of the Local Government Act 1972).
- 6.2 Under Section 25 of the Local Government Act 2003 (LGA 2003) the Council's Chief Finance Officer is required to report on the adequacy of the financial reserves in budget calculations. Section 28 of the LGA 2003 requires the Council to review its budget calculations from time to time during the financial year and take appropriate action in the event such review reveals that there is a deterioration in the Council's financial position.
- 6.3 This report assists the Council to comply with the statutory requirements.

7. Corporate implications

7.1 S151 Officer comments

The S151 Officer as part of the Annual Budget process has a statutory responsibility to comment on the robustness and appropriateness of reserves balances. So having an up-to-date Reserves Strategy to inform that judgement is particularly important. As one tool in the Medium-Term Financial toolkit, use of reserves plays a key role.

8. Monitoring Officer comments

8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

9.1 Not applicable.

10. Equality and Diversity

10.1 Targeted use of reserves potentially can help ease the impact of implementing savings delivery which may help with addressing equalities impacts.

11. Sustainability/Climate Change Implications

11.1 The earmarked reserves includes the Green Initiatives Fund which is used to pump prime initiatives which will deliver environmental benefits and will assist the Council in addressing its Climate Emergency priorities.

12. Other considerations

12.1 None identified.

13. Timetable for implementation

13.1 The Reserves Strategy to be considered alongside the Medium-Term Financial Strategy and will underpin the Detailed Revenue Budget to be approved on 26th February 2026.

14. Contact

14.1 Terry Collier, Chief Finance Officer

Please submit any material questions to the Committee Chair and Officer Contact by two days in advance of the meeting.

Background papers:, There are none.

Appendices:

Appendix 1 – Reserves Balances as at 31/3/25

Appendix 2 – Draft Reserves Strategy 2026-27

APPENDIX 1

Summary of Earmarked Revenue Reserves at 31.03.25

Reserves Description	Balance at 31 March 2025	Proposal	Proposal						
	£'000	£'000							
Insurance Fund	50	50							
Planned Spending Funds	8,012								
Sinking Fund Earmarked Reserves	26,261	34,273	Combine with Planned Spending to make available to support Budget						
Youth Council Fund	20	20							
Local Environmental Assessment Fund	154	154							
Green Belt Fund	619	619							
Harper & White House Accommodation Fund	152	152							
Woodthorpe Recreation Ground & Fordbridge Park Fund	80	80							
Useable Earmarked Reserves at 31 March 2025	35,348	35,348							

APPENDIX 2

Spelthorne Borough Council's Reserves Strategy for 2026-27

What are Reserves?

Reserves are revenue resources the Council has accumulated over time and set aside for a particular purpose as part of an integrated approach to the financial management of the Authority over the short, medium and long-term.

What the Law and the Chartered Institute of Public Finance and Accountancy (CIPFA) say about reserves:

The Local Government Act 2003 (section 25) requires local authorities, when setting their budgets and the level of Council tax, to have regard to the advice of the Chief Financial Officer, namely the officer appointed under s.151 of the Local Government Act 1972 ("the CFO"), on the adequacy of the proposed financial reserves.

The CIPFA Financial Management (FM) Code states that

- Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the CFO to advise the local authority on the appropriate level of reserves and the robustness of the estimates.
- A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed.
- These should be maintained at a level appropriate for the profile of the authority's cash flow and the prospect of having to meet unexpected events from within its own resources.
- The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances
- The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves

What is a Reserves Strategy?

A reserves strategy sets out the choices we make in relation to the level and purposes for which we hold the reserves we have accumulated. It is made up of three key elements:

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over in 2026-27 and in 2027-28 onwards when the reserves will be passed across to the successor unitary and
3. Our framework – the way we will determine the level of reserves we need, manage those reserves and plan for their use in line with best practice and statutory requirements. Together these elements set out our ambition for reserves, the nature of

that ambition and how we provide assurance.

Usable and Unusable Reserves

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) our reserves are categorised in the Statement of Accounts as either usable or unusable.

The Code describes usable reserves as those that represent resources that the authority might use to support service delivery at the reporting date. Some usable reserves may have restrictions upon their use dependent upon the relevant legislative requirements.

Unusable reserves are not available to use to support service delivery at the reporting date. These reserves arise from either:

- a) statutory adjustments required to reconcile balances to the amounts chargeable to council tax (or rents) for the year, in order to comply with legislation, or
- b) accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services

This strategy relates to usable reserves only.

Why do we need a Reserves Strategy?

The Council needs to keep up to date a Reserves Strategy to understand the purposes for which it is holding reserves and the risks those reserves are seeking to mitigate, and ensure that the levels of those reserves are appropriate for the risks the Council is facing

Whilst the Council, at the time of setting the Strategy, may only have a year and half of existence left as a sovereign council it has a responsibility to be mindful of the risks it will be passing on the successor unitary and how a Reserves Strategy can help mitigate some of those risks.

The Council is operating in a complex and uncertain world and faces many of the same risks as other councils. These include:

- Unforeseen events, emergencies
- General economic impacts on both the council and its residents as a result of higher inflation or higher interest rates resulting in more households presenting in need of housing support, or tenants in the Council's assets becoming less willing to pay current rental levels
- Uncertainty of business rates income streams due to complexities and timing issues around appeals
- Fluctuations in investment returns including from investment assets

The above risks can be related to the different purposes for which the Council holds reserves:

General Contingency – the General Fund Reserve acts as a general contingency or buffer against impact of unforeseen events or emergencies

Equalisation Reserves- the Business Rates Equalisation Reserve or the Interest Rate Equalisation reserve are examples. The Sinking Funds Reserves were originally designed to equalise or smooth out the impact of dips in investment income rental streams on the Revenue Budget

Reserves to deal with timing differences between the receipt of funds and the application of funds – for example grants unapplied where the Council may receive grants in advance of meeting the criteria for applying those funds. The UK Shared Prosperity Reserve was an example of this.

Reserves to supplement risk mitigation arrangements – for example the Insurance fund reserve.

Reserves to fund future anticipated spending requirements – for example, setting aside of service charge income for Harper House and White House to build up funds which can be applied in future to assist in funding maintenance costs. Similarly, the Environmental Impact Reserve, Social Housing Initiatives Fund, and Green Belt Fighting Reserve represent funds which have been set aside or earmarked to address future specific spending requirements.

Mitigating risk relating to investment and commercial activity -

The Council through its reliance on investment assets income streams is exposed to the risk of future decline in those net income streams, potentially due to greater voids, higher rent-free incentives, increased refurbishment costs etc. The potential risk is that income reduces below financing costs and not only would the Council be able to rely on a subsidy from the income stream to support the Revenue Budget but a financing shortfall would squeeze the Revenue Budget. It was in anticipation of this risk that the Council established Sinking Funds earmarked reserves at the time of acquisition of the investment assets to seek to build up sufficient funds to offset the risk of future dips in rental income.

The Best Value intervention has directed the Council to reduce this risk for itself and the successor unitary by undertaking a comprehensive investment assets disposal programme. This means that that over the medium term the reliance on this income stream will be removed and the exposure to the risk of voids or maintaining those assets will cease. Therefore, the need to hold earmarked sinking funds reserves for the original long-term reasons has fallen away. Instead, there is now a short to medium term period of additional Revenue Budget pressure, part of which could be eased by applying some use of re-purposed Sinking Funds reserves.

How does it fit with our other strategies?

The Reserves Strategy is a key underpinning strategy for the Medium-Term Financial Strategy which identifies over the medium-term Revenue Budget pressures. Having a clear Reserves Strategy helps identify how Reserves can be used to help allow the Council and its successor unitary time to make transformational change to help close budget gaps.

Our Reserves

General Fund Balance Reserve (£3.895m as at 31/3/25)- The General Fund Balance Reserve acts as a corporate contingency to cushion the impact of unexpected events or emergencies. It also provides a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

There is no statutory minimum for the level of General Fund Balance to be held although it is widely accepted that a minimum of 5% of net budget is best practice. In making a recommendation as to the level of General Fund Balance Reserve which should be maintained, the Section 151 Officer considers.

Useable Earmarked Reserves

As at the end of 2024-25 these totalled £47.8m with the largest component being earmarked sinking fund reserves (£26.3m) set aside to smooth potential future dips in investment income rental.

Developer's Contributions

As at end of 2024-25 these totalled £8.3million. These are received in relation to Section 106 affordable housing agreements and Community Infrastructure Levy agreements. These funds can only be used to support expenditure agreed under the agreements and are therefore not available to the Council to use for other purposes.

Capital Receipts (£2.681m as at 31/3/25)

Balance of capital receipts as at 31/3/25 was £2.7m.

Capital Receipts can only be used to fund capital expenditure or eligible expenditure under the Flexible Use of Capital Receipts Strategy

Unapplied Capital Grants

As at 31/3/25 these totalled £1.8m and are only used to fund capital expenditure in accordance with the terms of the grants. The funds are not available to support the Revenue Budget.

Use of the Reserves

In 2025-26 there is an additional £7m of MRP being applied to Revenue relating to MRP on surplus assets (in line with accounting requirements that once capital projects are aborted that MRP starts to be applied). This had not been anticipated in the original budget for 2025-26 and it is proposed to make use of repurposed Sinking Funds Reserves to offset the impact on the Revenue Budget. **Movement on Usable Revenue Reserves from £41.5m to £34m.**

The Medium-Term Financial Strategy is currently projected budget gaps for 2026-27 to 2028-29 as shown in the Table below

Estimated Budget Gaps

	26-27	27-28	28-29
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Estimated Budget Gap	2.2	2.5	8.2

It is proposed that the repurposed sinking reserves are applied to close two thirds of the gaps outlined above. The balances of the useable reserves are in this scenario anticipated to be as follows:

Estimated End of Year Useable Revenue Reserves

	24-25	25-26	26-27	27-28	28-29
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Estimated Balance	35.3	30	21.1	18.6	14.8

APPENDIX 1

Summary of the purposes Reserves are currently held for

Name of Earmarked Reserve	Purpose of Earmarked Reserve	Value of Balance of Reserve as at 31/3/25 £000
Insurance Fund	A reserve for covering insurance claims, premiums, or self-insured liabilities. It provides a financial buffer for unexpected events (e.g. property damage, legal claims).	50
Planned Spending Funds	Money set aside for specific future projects or known upcoming costs, i.e. Housing Initiatives Fund, New Schemes Revenue Projects, Interest Equalisation, Bridge Street Reserve, etc. This helps the council manage financial planning and avoids sudden funding gaps. (To be combined with Sinking Funds Reserves under the revision to the Reserves Strategy)	8,012
Sinking Funds Reserves	Sinking Funds related to the management, maintenance, or development of the Council's investment properties. There are properties the Council has acquired for regeneration, housing, and investment purposes	26,261
Youth Council Fund	Supports activities, initiatives, or projects led by or for the youth council, engaging young people in local democracy and decision-making.	20
Local Environmental Assessment Fund	Reserved for environmental assessments or studies, often in relation to development projects, or conservation efforts.	154
Green Belt Fund	Supports the protection, enhancement, or management of green belt areas, open spaces meant to prevent urban sprawl and preserve nature.	619
Harper & White House Accommodation Fund	Earmarked for accommodation-related services or improvements in specific properties (Harper & White House).	152
Woodthorpe Recreation Ground & Fordbridge Park Fund	Funds set aside specifically for the upkeep, improvement, or development of these two local parks and recreation grounds.	80
	Total	35,348
	Plus	
	Developer Contributions	8,319
	Unapplied Revenue Grants	6,438
	Total Earmarked Revenue Reserves	50,105
	Plus :	
	General Fund Revenue Reserve	3,895
	Equals:	
	Total Revenue Reserves	54,000
	Plus Capital Reserves:	
	Capital Receipts Reserve	2,681
	Unapplied Capital Grants	1,800
	Total Usable Earmarked Revenue Reserves	58,481

Note that it is only proposed to repurpose the Sinking Fund Reserves, the other reserves will continue to be held for the earmarked purposes set aside.