

Corporate Policy & Resources Committee



15 October 2024

Title	<i>2023-24 Reserves Outturn Report</i>
Purpose of the report	To note
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	Committee is asked to note the report.
Reason for Recommendation	<i>This report is a consolidation report and formalises the Committees approved uses of reserves from the 2023-24 Revenue Outturn report (Appendix A) in June 2024. It is a backward looking report, i.e., for the twelve months from 1 April 2023 to 31 March 2024 and provides the complete picture on Council's reserves at 31 March 2024.</i>

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> When preparing the 2024-25 to 2027-28 Revenue Reserves Strategy report presented to this Committee in February 2024, officers forecast the closing balances as at 31 March 2024 at £58,080k, excluding the General Fund Balances This report provides the Committee with the actual revenue reserves balances at 31 March 2024 of £70,198k, excluding the General Fund balances (see Appendix A below) and an analysis of the variances of £12,118k, excluding the General Fund 	<ul style="list-style-type: none"> This report is to provide Councillors with a reconciliation between the forecast and actual revenue reserves.

<p>Balance between the forecast and actual revenue reserve balances (see Appendix B below).</p> <ul style="list-style-type: none"> • Noting that all the relevant explanations have been provided to and approved by this Committee in the background papers listed below. • The 2023-24 Revenue Outturn Report approved by the Committee in June 2024, (see Appendix A of that report) highlights the detailed decision made by this Committee when transferring monies to and from reserves, which agrees to movements shown in note 8 from the Statement of Accounts (see 4.5 below) and the aggregate Earmarked Reserves of £70,198k, excluding the General Fund balance of £3,083k. 	
<p>This is what we want to do about it</p>	<p>These are the next steps</p>
<ul style="list-style-type: none"> • To note the actual 2023-24 Revenue Reserves as at 31 March 2024 • This is a consolidation of all the reports mentioned in the list of background papers listed below, for the detailed movement to and from reserves, please refer to appendix A of the 2023-24 Revenue Outturn report, approved by this Committee on 3 June. 	<ul style="list-style-type: none"> • To note the report • To inform the refreshing of the Reserves Strategy for 2025-26 and the Outline Budget.

- 1.1 This report seeks to provide Council with a breakdown of the approved Earmarked Reserves and General Fund balances as set out in the draft unaudited Statement of Accounts (Note 8).
- 1.2 Please note as set out in the Capital & Revenue Reserves Strategy report presented in in February 2024 to Corporate Policy and Resources Committee. Officers are permitted to transfer funds into a reserve, once credited to the reserves, only this Committee can approve the use of the said reserve funds.
- 1.3 There are two appendices to this report
 - (a) Appendix A – provides a detailed breakdown of actual reserves as at 31 March 2024
 - (b) Appendix B – provides a variance analysis between forecast and actual reserves as at 31 March 2024.

2. Key issues

- 2.1 When preparing the Capital and Revenue Reserves Strategy for 2024-25 to 2027-28 in December 2023, officers are required to estimate the closing position of the reserves at the 31 March 2024. This report provides an explanation of the main variance, set out in Appendix B which have all been approved or notified to Council Report as part of the year end closed down reporting and Outturn reporting.
- 2.2 This report confirms the closing balances, as set out in Appendix A, and the explanations already provided by officers to Council.
- 3. Options analysis and proposal**
- 3.1 Not applicable.
- 4. Financial management comments**
- 4.1 The Council is in a strong position, having in excess of £73 million pounds of cash backed revenue reserves. This is the second highest of any district or borough Council in England, based on the data supplied by LG Improve
- 4.2 During 2023/24 there were a number of factors that had a significant positive impact on the Council's reserves, as set out in in the 2023-24 Revenue Outturn Report:
- (a) An underspend of £3,323k, caused by increased revenue grants for refugee support and Community Infrastructure Levy (CIL) contributions.
 - (b) An additional £990k of interest received, reflecting higher interest rates.
 - (c) The release of a £4,000k provision for landlord expenses, set aside to cover costs to 31 March 2024, that have not materialised.
 - (d) £723k due to the timing difference and accounting concepts on lease incentives for tenants
 - (e) £1,415k in reduced landlord costs.
 - (f) £3,093k National Non-Domestic Rates Surplus, which has been building for a number of years. As advised to this Committee in June, a subsequent review carried out by LGImprove has confirmed that this figure is substantially correct.
- 4.3 This allowed the Council to make the following additional transfers to the Council's Earmarked Reserves to protect the future cashflow and budgets, the primary ones being:
- (a) An additional £7,578k to the Sinking Fund reserves, which reduced the net call, in 2023-24, on the Sinking Fund reserves to £2,678k.
 - (b) £3,100k contribution to the Business Rates Equalisation Reserve, reflecting 4.2(f) above.
- 4.4 £1,000k contribution to the General Fund, £641k more than forecast, increasing the balance to £3.1m
- 4.5 Please note that the proposed £450k movement from the Green Belt Fighting Fund to Planning Development Appeal Reserve was not required for this financial year, as no appeals were heard. However, based on the latest information from the Group Head Place, Protection and Prosperity the transfer will be required, in 2024-25 and an appropriate report requesting this

Committee's approval to transfer the funds to meet the costs of the appeals will be made before the 31 March 2025.

- 4.6 For the full detailed movement on the Council's reserves, please refer to the 2023-24 Revenue Outturn report, Appendix A, which was approved by this Committee in June 2024 and is reflected in the movements in reserves as per note 8 Transfer to and from Earmarked Reserves of the 2023-24 Statement of Accounts shown below:

Earmarked Reserves	31 Mar 23 £'000	Transfers to Reserves £'000	Used in revenue funding £'000	Transfers between Reserves £'000	31 Mar 24 £'000
Revenue Grants unapplied	-5,374	-1,771	1,219	0	-5,926
Capital Fund	-1,443	0	0	0	-1,443
Insurance Fund	-50	0	0	0	-50
Planned Spending Funds	-12,924	-3,101	649	0	-15,376
Funds for acquired properties	-37,716	-8,666	11,023	0	-35,359
Youth Fund	-20	0	0	0	-20
Local Environmental Assessment	-154	0	0	0	-154
Green Belt	-1,093	0	0	0	-1,093
Contributions from Developers	-9,996	-1,402	289	0	-11,109
Earmarked Reserves 31 Mar	-68,770	-14,940	13,180	0	-70,530
General Fund Balance	-2,083	0	-1,000	0	-3,083
Balance carried forward 31 Mar	-70,853	-14,940	12,180	0	-73,613

- 4.7 Appendix B below deals with the main variances between the Capital & Reserves Strategy report submitted and approved in February 2024 and the outturn position, as per note 8 above.

5. Risk management comments

5.1 Generally

- 5.2 The earmarked reserves as set out in Appendix A, constitute monies set aside for by the Council for future years, in order to mitigate risk.

- 5.3 These funds can only be used for the purpose that they were established and given the future financial pressures that are likely to impact on the Council, going forward, it would be a good opportunity to review the current earmarked reserves and where appropriate repurpose those back into the general fund to assist with the revenue budget or special projects.

5.4 Capitalised costs – (direct housing development costs)

- 5.5 As previously reported to Council following the suspension of the direct housing development projects, Council will have to carefully manage the development projects. Currently, Council is looking to develop these sites through third parties, and on the basis that the development costs incurred to date can still be utilised it is appropriate for these costs to remain in the balance sheet. However, the moment it becomes apparent that these costs are redundant or are in need of a major update, they will have to be

transferred to the revenue account and this is where the repurposing exercise in 5.1 above would be extremely useful to reduce the risk of a significant budget deficit.

5.6 **Sinking Fund**

5.7 The Sinking Fund has been specifically established to mitigate the risks of the Council's investment property portfolio and in light of 4.3(a) above, the Council has managed to reduce the call on the Sinking Fund Reserve, with 4.2 (b to e) providing the main reasons for this improvement.

5.8 The purpose of the Sinking Fund reserve is:

- (a) to minimise risk and protect the Council's Revenue Budget and Council taxpayers from exposure to **unplanned** short-term dips in income.
- (b) to ensure that the Council build sufficient cash backed reserves to provide future options at each property, including:
 - i) refurbishments (net of dilapidations),
 - ii) development of a site, particularly in 14 years' time in the case of the Sunbury Campus, when the tenant could exercise their lease break and vacate the entire site at Sunbury.
 - iii) Repayment of PWLB Loans in the event of a tenant default.

5.9 Detail any risk implications arising from the report and how these will be mitigated.

6. **Procurement comments**

6.1 There are no specific procurement issues arising from this report.

7. **Legal comments**

7.1 There are no specific legal implications arising from this report.

8. **Other considerations**

8.1 Detail any other considerations to be taken into account.

9. **Equality and Diversity**

9.1 Detail how the recommended proposals will impact equality and diversity and mitigation measures being taken.

10. **Sustainability/Climate Change Implications**

10.1 Not applicable

11. **Timetable for implementation**

11.1 Not applicable

12. **Contact**

12.1 P.taylor@spelthorne.gov.uk

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

Background papers:

2023-24 Revenue Outturn Monitoring Report, Appendix A (June 2024 Committee Meeting).

2024-25 to 2027-28 Capital & Reserves Strategy Report (February 2024 Committee Meeting).

2023-24 Statement of Accounts – note 8 (Council’s Website)

Appendices:

Appendix A – detailed breakdown of actual reserves as at 31 March 2024

Appendix B – variance analysis between forecast and actual reserves as at 31 March 2024.