

Title: Earmarked Reserves 2024/25
Lead Officer: Steven Leathley (01926 456843)
Portfolio Holder: Councillor Chilvers
Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder	15/05/2024	Councillor Chilvers
Finance	14/05/2024	Steven Leathley
Legal Services		
Chief Executive	14/05/2024	Chris Elliot
Director of Climate Change	14/05/2024	Dave Barber
Head of Service(s)	14/05/2024	Andrew Rollins
Section 151 Officer	14/05/2024	Andrew Rollins
Monitoring Officer	14/05/2024	Graham Leach
Leadership Co-ordination Group		
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		
Accessibility Checked?	Yes	

Summary

The report requests that a limited number of budgets that underspent in 2023/24 are carried forward into 2024/25 as earmarked reserve budget. These budgets relate to ongoing expenditure not included in the original budget setting report approved in February 2024.

All budgets have been accessed by the Strategic Finance Manager and Head of Finance and were underspends within the 2023/24 Financial year.

EMR Budgets and a full annual forecast of these, will be included in the Quarterly Budget Monitoring report throughout the year.

Recommendation

To approve the Earmarked Reserve (EMR) requests of £1.881m General Fund and £0.193m HRA (Appendix 1), with the requests having been reviewed under delegated authority by the Head of Finance.

1 Earmarked Reserves

- 1.1 As part of the Final Accounts process, requests have been approved under delegated authority by the Head of Finance for Revenue Earmarked Reserves. These are for previously agreed projects where it had not been possible to complete as budgeted within 2023/24 and will therefore need to carry forward budget to 2024/25.
- 1.2 These totalled £1.881m for the General Fund and £0.193m for the HRA and are outlined in detail in Appendix 1. Requests are considered against budget outturn within the specific projects and services, with requests approved only where there is sufficient budget available.
- 1.3 Members will note these are considerable sums. Key Earmarked approvals for the General Fund include the demolition of Covent Garden MSCP, contributions to the cost of Barford Youth Centre and the Join South Warwickshire Local Plan. For the HRA the main approval is for delayed major repairs relating to the Housing Investment Programme (HIP), and consultancy budget to support ongoing housing development projects and the continuation of stock condition surveys.
- 1.4 It is recommended that the Cabinet note the position on Revenue slippage. As in previous years, expenditure against these Budgets will be regularly monitored and reported to the Cabinet as part of the Budget Review Process.

2 Draft Outturn position 2023/24

2.1 Initial Outturn projection for 2023/24 is shown in the table below:

Department Description	Variance	Reserves	Earmarked Reserve	General Fund (after Reserve Movements)
	£000	£000	£000	£000
Customer & Digital Services	(110)	0	0	(110)
Finance	(781)	0	15	(766)
Housing Services - GF	(499)	0	37	(462)
Neighbourhood & Assets	839	0	1,103	1,942
People and Communication	19	(6)	33	46
Place, Arts & Economy	517	(76)	176	617
Safer Communities, Leisure & Environment	(174)	16	204	46
Strategic Leadership	(742)	525	313	96
	(931)	459	1,881	1,409

2.2 The current outturn position may change as work is continuing for the closure of accounts 2023/24. At the time of this report, some technical adjustments are outstanding including Depreciation and IAS19 Pension adjustments.

2.3 2023/24 Outturn shows a Favourable position within the General fund of £0.931m, of which £0.459m has been allocated to approved reserves including Woodland Creation Reserve (previously Trees for Future), and under and overspends from Warwick Building Control, Climate Control, Working for Warwick and other Reserve funded budgets within 2023/24. After reserves adjustments, this shows a revised Favourable position of £0.472m. Once Earmarked Reserves have been applied, this changes to an Adverse position for the General Fund of £1.409m.

2.4 The Outturn position shows an increase in adverse position of £0.159m compared to Quarter Three Budget Report (Q3). The estimated General Fund position in Q3 was Adverse £1.250m.

2.5 A full breakdown of variances to the final outturn position for 2023/24 will be provided to a future Cabinet meeting within the Outturn 2023/24 report.

2.6 HRA Outturn is currently being completed. All EMR's will be funded from HRA Reserves.

3 Alternative Options

3.1 If these were not approved, activity across many previously approved workstreams would either have to cease or become unfunded.

4 Legal Implications

3.1 The proposals are in line with current legislation where applicable.

5 Financial Services

5.1 Officers review current year budgets against outturn on a monthly basis at the same time as considering their implications for the medium term. Members are updated on a quarterly basis. As part of this process budget managers are asked to review both their salary position and revenue position through returns with Accountancy, and update / comment as necessary. This process has been strengthened over the last few years through increased formalisation. Further reviews and changes to this process will be implemented through utilisation of the Financial Management System (FMS).

5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities,

external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.

- 5.3 The draft statement of accounts position, once presented, will reflect the approvals made as part of the Earmarked Reserve process. Officers have ensured that only schemes where funding that has previously been approved, and is still required, are presented to be carried forward to complete this work.
- 5.4 It should be noted that because the final accounts position has not been finalised, there is a risk that, by approving these requests, that a deficit position could be reported. However, careful consideration has been given to ensure the requests that have been approved are essential for agree service activity, and therefore any approval should not be determined by variations in other services.

6 Corporate Strategy

- 6.1 Warwick District Council has adopted a Corporate Strategy which sets three strategic aims for the organisation.
- 6.2 Delivering valued, sustainable services.
- 6.3 Low cost, low carbon energy across the district.
- 6.4 Creating vibrant, safe and healthy communities of the future.

7 Environmental/Climate Change Implications

- 7.1 None.

8 Analysis of the effects on Equality

- 8.1 Not relevant.

9 Data Protection

- 9.1 Not relevant.

10 Health and Wellbeing

- 10.1 Not relevant.

11 Risk Assessment

- 11.1 The February Budget report detailed the main financial risks facing the Council. Many of these related to local authority funding, notably Business Rate Retention.
- 11.2 Many controls and mitigations are in place to help manage the financial risks facing the Council. These include:
- 11.3 The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current, and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to Cabinet and the Senior Leadership Team.
- 11.4 Financial Planning with the MTFs / financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
- 11.5 Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
- 11.6 Project Management and associated controls.

- 11.7 Trained staff and access to appropriate professional advice (e.g. Legal).
- 11.8 Implementation and continued development of the new Financial Management System.
- 11.9 Risk Management process across the Council, including the on-going review and maintenance of risk registers.
- 11.10 Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.
- 11.11 Reserves – The Council holds a number of reserves, with each being allocated for specific purposes. Whilst much of these reserves have already been earmarked for agreed projects, it is important that reserves are held for any unforeseen demands. The Business Rate Retention Volatility Reserve (BRRVR) was used over prior years to deliver a balanced budget. However, to ensure this reserve remains available for its primary purpose of smoothing business rate receipts, any overperformance above a £2m balance has been reallocated to the General Fund Volatility Reserve. The General Fund Balance is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance of at least £1.5m.
- 11.12 The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Each Service Area's Risk Register is presented to Finance and Audit Scrutiny Committee annually on a rolling basis.

Background papers:

Budget setting 24-25 Report (Cabinet 8 February 2024 – Item 5)

Housing Revenue Account (HRA) Budget 2024/25 and Housing Rent Setting (Cabinet 8 February 2024 – Item 6)