

Title: Earmarked Reserves 2023/24
Lead Officer: Steven Leathley (01926 456843)
Portfolio Holder: Councillor Chilvers
Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder	18/09/2023	Councillor Chilvers
Finance	18/09/2023	Steven Leathley
Legal Services		
Chief Executive	18/09/2023	Chris Elliot
Director of Climate Change		Dave Barber
Head of Service(s)	18/09/2023	Andrew Rollins
Section 151 Officer	18/09/2023	Andrew Rollins
Monitoring Officer	18/09/2023	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 2022/23 are carried forward into 2023/24 as earmarked reserve budget. These budgets relate to ongoing expenditure not included in the original budget setting report approved in February 2023.

All budgets have been accessed by the Strategic Finance Manager and Head of Finance and were underspends within the 2022/23 Financial year.

EMR Budgets and a full annual forecast of these, will be included in the Quarter 2 Budget Monitoring report.

Recommendation

To approve the Earmarked Reserve (EMR) requests of £0.940m General Fund and £0.444m HRA (Appendix 1), with the requests having been reviewed under delegated authority by the Head of Finance.

1 Earmarked Reserves

- 1.1.1 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 2022/23 and will therefore need to carry forward budget to 2023/24.
- 1.1.2 These totalled £0.940m for the General Fund and £0.440m 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.
- 1.1.3 Members will note these are considerable sums. Key Earmarked approvals for the General Fund include the Joint South Warwickshire Local Plan, the Trees for the Future scheme, work relating to the Newbold Comyn Cycle Trails and options appraisal for an alternative use of the Linen Street Multi-Storey Car Park site following its closure. 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.
- 1.1.4 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.
- 1.1.5 This report is brought to the Cabinet as an urgent item for agreement because....

2 Alternative Options

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

3 Legal Implications

- 3.1.1 The proposals are in line with current legislation where applicable.

4 Financial Services

- 4.1.1 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).
- 4.1.2 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.
- 4.1.3 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.
- 4.1.4 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.

5 Business Strategy

- 5.1 In respect of Warwick District Council's Business Strategy this proposal relates to two core themes: Maintain and Improve Services and Firm Financial Footing over the Longer Term, which are explained in detail below.
 - 5.1.1 Services – Maintain or Improve Services. The Council's Budget seeks to allocate the Council's financial resources to ensure the Council's services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.
 - 5.1.2 Money - Firm Financial Footing over the Longer Term. The Council's Medium Term Financial Strategy seeks to allocate the Council's financial resources to ensure the Council's services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.

6 Environmental/Climate Change Implications

- 6.1 WDC has a budget of £500,000 per annum for Climate Change. It is proposed to utilise this for 2022/23 and 2023/24 to support a number of priorities within the Climate Change Action programme. Where this funding is not used in year, it is held in a ring-fenced reserve to support future activity.

7 Analysis of the effects on Equality

- 7.1 Not relevant.

8 Data Protection

8.1 Not relevant.

9 Health and Wellbeing

9.1 Not relevant.

10 Risk Assessment

10.1 The February Budget report detailed the main financial risks facing the Council. Many of these related to local authority funding, notably Business Rate Retention.

10.2 Many controls and mitigations are in place to help manage the financial risks facing the Council. These include:

10.2.1 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.

10.2.2 Financial Planning with the MTFs / financial projections, bringing together all issues that will impact on the Council's finances in the medium term.

10.2.3 Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).

10.2.4 Project Management and associated controls.

10.2.5 Trained staff and access to appropriate professional advice (e.g. Legal).

10.2.6 Implementation and continued development of the Financial Management System.

10.2.7 Risk Management process across the Council, including the on-going review and maintenance of risk registers.

10.2.8 Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.

10.2.9 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 use of the Business Rate Retention Volatility Reserve does reduce the forecast balance on this reserve to around £10m. It was agreed as part of budget setting in February that the balance should not go below this amount ahead of the business rate reset expected in 2025/26. Therefore any changes to this assumption would require the risks to be analysed.

10.2.10 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.

10.2.11 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 23-24 Report (Cabinet 9 February 2023 – Item 7)

Housing Revenue Account (HRA) Budget 2023/24 and Housing Rent Setting (Cabinet 9 February 2023 – Item 8)