



Corporate Policy and
Resources Committee

12th June 2025

Subject: Review of Earmarked Reserves

Report by:

Director of Finance and Assets (S151)

Contact Officer:

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Purpose / Summary:

To review the Council's earmarked reserves and identify reserves which could be repurposed to meet priorities.

RECOMMENDATION(S):

- a) That Councillors note the amount of earmarked reserves which could be released to fund future agreed Priorities.
- b) That Councillors note the governance process for developing new priorities.

IMPLICATIONS

Legal: It should be noted that the Council has a legal duty to set a balanced budget annually and that the Council's Chief Financial Officer must make a statement on the adequacy of earmarked reserves as part of the budget setting report.

Financial: FIN/15/26/CPR/SL

As of 31 March 2024, Usable Reserves totalled £28.488m. After taking account of all approved movements the forecast balance on 31st March 2025 is £28.540m.

Staffing: None arising as a result of this report but these would need to be considered when approving any new priorities.

Equality and Diversity including Human Rights: If new priorities are agreed these would be subject to relevant equality impact assessments.

Risk Assessment :

It is considered the Council currently has a strong level of both earmarked and general reserves. Whilst still retaining a prudent level of general and earmarked reserves, by delivering the administrations priorities in the medium term, a significant amount of earmarked reserves will be used therefore reducing the Council's flexibility to undertake projects which are not identified as priorities or to be able to identify match funding if external grants which require this became available.

The future funding streams of the Council are currently being reviewed by the government via the fair funding review and the business rates reset. Once concluded this will feed through to the local government finance settlement in the autumn which will give the Council certainty on business rates income, government grants and Council tax levels for at least the 2026/27 year and hopefully the following two years. Therefore, a certain level of earmarked and general fund reserve are required to mitigate any adverse impact this may have on the Council's Medium Term Financial Plan.

Climate Related Risks and Opportunities: None arising as a result of this report but these would need to be considered when approving any new priorities.

Title and Location of any Background Papers used in the preparation of this report: No background papers were used in the preparation of this report.

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

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No

x

Key Decision:

Yes

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No

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1. Executive Summary

- 1.1 The administration has asked management team to review the levels of earmarked and general reserves with a view to funding future agreed priorities. This is partly driven by an ageing leisure centre in Gainsborough which will require significant investment to bring it up to modern requirements and with an anticipation to reduce the amount of ongoing maintenance required.
- 1.2 Whilst it is hoped that external funding can be acquired it will still require a significant amount of Council investment to deliver any future agreed priorities. This will come from earmarked reserves and potentially borrowing.
- 1.3 This report seeks to inform Councillors of the potential resources available to support any future agreed priorities. This, it is hoped, will give an idea of what or may be affordable.

2. Background

- 2.1 The Council's usable reserves are split into a number of different categories which are general reserves, earmarked reserves, capital receipts reserve and capital grants unapplied. Reserves are held for three main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves known as the General Fund Working Balance.
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Fund Working Balance.
 - a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements or set aside for future investment: earmarked reserves are accounted for separately but legally remain part of the over General Fund Balance.
- 2.2 Section 25 (1) (b) of the Local Government Act 2003 requires the Chief Financial Officer (at West Lindsey District Council, this is the Director of

Finance and Assets) to report to the Council on the adequacy of the proposed financial reserves to Council on an annual basis. This is done at West Lindsey as part of the budget setting report to Council on an annual basis. If reserves were to be too low in the opinion of the chief finance officer this would be mentioned in the report.

- 2.3 Whilst the Council can decide to use its reserves as it sees fit there must be consideration of the governance process, the financial situation of the authority and the requirements of the medium term financial plan.

3. Main Report

- 3.1 The administration has asked management team to review the levels of earmarked and general reserves with a view to funding future agreed priorities. This is partly driven by an ageing leisure centre in Gainsborough which will require significant investment to bring it up to modern requirements and with an anticipation to reduce the amount of ongoing maintenance required. The asset is ageing and many parts of it have exceeded their useful life and therefore require investment. Whilst undertaking works to the centre the opportunity could be taken to improve the leisure offer in Gainsborough and make the centre as good as it can be to extend its life well into the future.
- 3.2 Together with Gainsborough leisure centre the administration is currently formulating a number of other priorities for the district which will require funding. Some of the schemes can be financed by external funding (such as UKSPF funding) but it is envisaged that there will be the need to allocate a significant amount of Council reserves towards the costs and also to potentially borrow to enable this to happen.
- 3.3 Officers have reviewed the current and projected reserve levels and have identified where funds could be reprioritised to give a funding envelope from which more detailed plans can be formulated. The reserves work has taken account of current approved initiatives and those known to be coming in the short to medium term.
- 3.4 Careful consideration has been given to the amount of reserves the Council must retain. This is to ensure it can still deliver day to day activities, complete previously approved initiatives, deal with unexpected shocks and to ensure risk to the Council's financial position is minimised.
- 3.5 Is it therefore key that the following reserves are maintained at their current and projected levels: -
- General Fund – to cushion the impact of unexpected events and to counteract uneven cashflows.
 - Insurance Reserve – To cover the excesses the Council must pay for successful insurance claims.

- Budget Stability Reserve – To help towards balancing the MTFS over the short to medium term as required.
- Extended Producer Responsibility Reserve – To help the Council to meet any costs which may arise as a result of new legislation around the extended producer responsibilities.
- Business Rates Volatility Reserve – To help cushion the effects of the upcoming business rates reset.

3.6 The other earmarked reserves and the capital receipts reserve have been assessed.

The full list of Earmarked Reserves and the potential amounts that can be reprioritised are as follows: -

TABLE 1: THE FORECAST BALANCES OF RESERVES BEFORE REVIEW:

Reserve Name	Purpose	Balance @ 31/03/25 £	Balance @ 31/03/26 £	Balance @ 31/03/27 £	Balance @ 31/03/28 £	Balance @ 31/03/29 £
REQUIRED TO BE FULLY RETAINED:-						
Civic Reserve	To fund replacement of the Civic Car.	25,000	10,000	15,000	20,000	5,000
District Elections	To finance future Election costs held every 4 years.	54,000	94,000	134,000	14,000	54,000
Enforcement Costs - Housing & Planning	To assist with costs incurred in carrying out enforcement works across the Housing and Planning service to fund irrecoverable costs. Works in Default.	29,600	29,600	29,600	29,600	29,600
ICT Upgrade/Refresh	To meet the costs of Information & Communications Technology Upgrades and Revs & Bens System.	510,980	408,880	453,680	402,180	432,980
Members ICT Reserve	Provision of Members' ICT	26,786	20,086	86	10,086	20,086
Maintenance of Facilities	To meet future property maintenance requirements.	648,803	549,503	602,403	655,303	708,203
Uphills Community Centre	Contingency budget (capped at £20k) for unforeseen repairs & maintenance events at Uphills Community Centre-WLDC is obliged to pay/contribute under current arrangements.	7,100	7,100	7,100	7,100	7,100
Project Investment Reserve	To assist with costs associated with Business Case Development and projects such as around LGR.	1,040,147	546,347	546,347	531,347	531,347
Revenue Grants Unapplied	Revenue grants which have yet to be expended but cannot be repurposed.	1,169,100	1,016,301	1,006,601	998,801	998,801
Trinity Arts Centre	Increase in ticket prices (eff 18/19) to be transferred to EMR for contribution towards future projects.	50,000	50,000	50,000	50,000	50,000
Extended Producer Responsibility	To hold the EPR funding and monitor application	0	1,525,000	1,525,000	1,525,000	1,525,000
Business Rates Volatility Reserve	To meet the costs of any reductions of the business rates income.	1,950,807	2,570,907	1,950,807	1,950,807	1,950,807

Budget Stability Reserve	This reserve is set aside to smooth the effects of reductions to government funding which may happen during the Parliament. This will give the Council time to come up with plans to address any budget shortfall and carefully plan any service redesigns which may be necessary.	2,607,827	2,296,927	2,164,427	2,139,927	2,139,927
Insurance Fund	To meet any excess on insurance claims.	73,200	73,200	73,200	73,200	73,200
Redundancy Contingency	To meet costs of staff redundancies.	266,300	266,300	266,300	266,300	266,300
Community Grant Scheme	Community grant scheme to support community projects and the councillor award initiative.	22,300	22,300	22,300	22,300	22,300
Cultural Strategy Reserve	To develop the Council's Cultural Strategy in line with the recommendation contained within the Peer Review.	250,900	91,800	48,600	48,600	48,600
Communities at Risk	Support for communities at risk (2 identified CAR are currently Hemswell Cliff and South West Ward).	441,782	239,782	217,482	217,482	217,482
Environmental and Climate Change Reserve	Fund projects designed to reduce the carbon impact of the Council's operations.	477,206	427,206	427,206	427,206	427,206
Feasibility Fund	Match funding for the rural business intervention to support businesses with revenue costs.	140,000	40,000	40,000	40,000	40,000
CIL Reserve	Budget smoothing for CIL contributions and expenditure. To fund CIL officer and any other CIL related spend.	57,000	57,000	57,000	57,000	57,000
Capital Grants Unapplied	Capital grants which have yet to be expended but cannot be repurposed.	3,070,115	3,070,115	3,070,115	3,070,115	3,070,115
General Fund Balance	To cover any unforeseen costs with the level reviewed annually.	4,432,160	3,319,460	3,173,460	3,173,460	3,173,460
TOTAL REQUIRED TO BE RETAINED:		17,351,113	16,731,814	15,880,714	15,729,814	15,848,514
AVAILABLE FOR FULL OR PARTIAL REPRIORITISATION:-						

Investment for Growth	To support internal and local housing and business growth.	7,329,418	1,158,039	1,158,039	1,158,039	1,158,039
Invest to Save	To support initial investments which could lead to longer term savings	452,900	452,900	452,900	452,900	452,900
Vehicle Replacement Programme	To support service development and replacement fleet across the Authority.	226,958	3,858	592,058	800,258	488,458
Valuation Volatility	To mitigate any loss on investment from the sale of commercial investment properties.	850,000	733,000	650,000	650,000	650,000
Property Asset Fund	To support strategic housing and commercial property initiatives.	608,016	546,916	546,916	546,916	546,916
Health and Wellbeing Reserve	To support the delivery of projects aligned to the strategic aims set out in the 'our people' theme within the Corporate Plan.	206,100	186,100	186,100	186,100	186,100
Capital Receipts	Amount retained relate to internal ringfencing of RTB receipts	1,479,318	6,056,418	6,175,622	6,204,341	6,233,716
TOTAL AVAILABLE FOR REPRIORITISATION:		11,152,710	9,137,231	9,761,635	9,998,554	9,716,129
TOTAL BALANCE OF RESERVES BEFORE REPRIORITISATION:		28,503,823	25,869,045	25,642,349	25,728,368	25,564,643

TABLE 2: SUMMARY OF RESERVES WHICH COULD BE REPRIORITISED:

Reserve Name	Reprioritised @ 31/03/25 £	Reprioritised @ 31/03/26 £	Reprioritised @ 31/03/27 £	Reprioritised @ 31/03/28 £	Reprioritised @ 31/03/29 £	TOTAL £
Invest to Save	0	452,900	0	0	0	452,900
Vehicle Replacement Programme	0	0	400,000	0	0	400,000
Valuation Volatility	0	650,000	0	0	0	650,000
Property Asset Fund	0	246,000	0	0	0	246,000
Health and Wellbeing Reserve	0	100,000	0	0	0	100,000
Investment for Growth	0	251,100	0	0	0	251,100
Capital Receipts	0	5,900,000	0	0	0	5,900,000
POTENTIALLY AVAILABLE TO SUPPORT ADMINISTRATION PRIORITIES:	0	7,600,000	400,000	0	0	8,000,000

- Invest to Save Reserve – This reserve could be removed and the full balance of £452,900 released. No new schemes are planned which require upfront funding to create budget savings longer term. If there are any new schemes developed there is capacity within the project management reserve to meet any upfront costs.
- Vehicle Replacement Programme Reserve – It is proposed that £400,000 could be released from this reserve on the assumption that no new vehicles are able to be purchased post March 2029 and that investment in electrification of the fleet may be affected.
- Valuation Volatility Reserve – As the Council has no plans currently to dispose of its investment properties then this reserve balance could be repurposed
- Property Asset Fund – A review has taken place of prior years spending from this reserve and £246,000 could be removed if no repairs passed 2029 are required.
- Health and Wellbeing Reserve – The balance could be reduced with the balance left to deliver already approved initiatives.
- Investment for Growth Reserve – This reserve could partially release some funding however this would limit opportunities for match funding and any new growth initiatives which may occur.
- Capital Receipts – This reserve will contain the receipt of the former RAF Scampton site if it is bought and sold and therefore this can be used to support future capital projects.

If there are any future items which would usually be funded from these reserves then the general fund would need to be used instead.

TABLE 3: SUMMARY BALANCES ON RESERVES:

	Balance @ 31/03/25 £	Balance @ 31/03/26 £	Balance @ 31/03/27 £	Balance @ 31/03/28 £	Balance @ 31/03/29 £
To be Fully Retained	17,351,113	16,731,814	15,880,714	15,729,814	15,848,514
Available for Reprioritisation	11,152,710	9,137,231	9,761,635	9,998,554	9,716,129
Total Reserves Before Reprioritisation	28,503,823	25,869,045	25,642,349	25,728,368	25,564,643
Available for Reprioritisation	0	7,600,000	8,000,000	8,000,000	8,000,000
Remaining Balance on Reserves	28,503,823	18,269,045	17,642,349	17,728,368	17,564,643

4. Conclusion

- 4.1 As can be seen from the above officers have reviewed the Council's earmarked reserves and have identified that over the MTFP period £8,000,000 could potentially be used to help deliver the administration's priorities. Whilst this is a significant amount of the Council's reserves, the Council still retains circa £14m to meet day to day requirements and also to help minimise risk where possible.
- 4.2 Further reports will follow to Members for consideration once schemes are worked up and costed for the appropriate scrutiny and approval to be funded. Once costs are known in more detail external funding and borrowing options can be looked at.
- 4.3 In acknowledging the changing landscape that the Council is operating in, such as LGR, and in addressing the findings of the Council's recent Corporate Peer Challenge, the current governance framework in respect of Programme Boards, Member Working Groups and other such meetings (not including the Committee structure) is in the early stages of being reviewed. This is to ensure the Council's decision-making framework is fit for purpose, robust and agile to ensure projects are developed using the right governance process and member oversight.
- 4.4 Schemes will be developed using the Council's governance processes and will need to be included within service business plans and then the Council's MTFP, Capital Programme and Executive Business Plan, which will be presented to both CP&R Committee and Full Council for approval in due course.
- 4.5 A number of key principles are applied when compiling the Executive Business Plan in order to support members in their decision-making duties in respect of financial management and strategic delivery of the Council's priorities. These principles include:
 1. The Executive Business Plan must contribute to the delivery of a balanced budget, as per the legal requirements on the Council.
 2. Projects and Programmes identified for delivery must align to the agreed strategic priorities of the Council.
 3. There must be appropriate staffing and resources in place (or identified) to deliver the actions set out in the Executive Business Plan.
 4. Each individual key deliverable within the Executive Business Plan must be subject to an appropriate route to governance (where applicable) to ensure satisfactory member oversight and scrutiny in respect of value for money.
 5. Overall, the deliverables identified within the Executive Business Plan should act as the overarching work programme in respect of delivering the priorities of the Council.
- 4.6 In order to develop member priorities into a fully costed and resourced strategic delivery programme (currently known as the Executive Business Plan), councils follow a budget setting and business planning cycle, which typically follows the best practice example outlined by the Local Government Association, which can be viewed here <https://www.local.gov.uk/publications/must-know-guide-annual-budget-process#planning-the-budget-process>. West Lindsey follows this best practice (albeit adapted to suit the Committee model of governance that the Council operates in), aligning business planning with budget setting to produce

the Executive Business Plan alongside the MTFP to give a strategic mandate from Council to deliver member priorities. The timeline for producing the next Executive Business Plan is set out in the table below for members information:

MILESTONE	DATE
Discuss proposed political priorities with the Leader of the Council and Committee Chairs / Vice-Chairs (this typically happens at Leader's Panel)	May 2025
Conduct strategic business planning exercise to include strategic analysis, financial analysis and budget setting meetings with Managers	May – August 2025
Conduct Budget Consultation exercise with residents and businesses	July – August 2025
Present findings and proposals to the Leader of the Council and Committee Chairs / Vice-Chairs before proceeding to the next stages (this typically happens at Leader's Panel)	September 2025
Calculate impact of the Government's Spending Review and the proposed Finance Settlement on the Council's budget for 2026/27. Present the findings to the Leader of the Council and Committee Chairs / Vice-Chairs, alongside proposals for Fees and Charges before proceeding to the next stage (this typically happens at Leader's Panel).	December 2025 (assuming the draft settlement is received in December)
Finalisation of Budget	January 2026
Present Budget, including Executive Business Plan to CP&R Committee	February 2026
Present Budget, including Executive Business Plan to Full Council	March 2026

- 4.7 Members are asked to note the amount of earmarked reserves which could be released to fund future agreed priorities and note the governance process for developing new priorities.