



**Corporate Policy and
Resources Committee**

Thursday 15 January 2026

Subject: Annual Review of Reserves 2025/2026

Report by: Director of Finance and Assets (S151)

Contact Officer: Sue Leversedge
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Purpose / Summary: To receive the annual review of Earmarked Reserves in advance of the formal Section 25 report (Section 151 Review of Robustness of Reserves) being brought to Council on 2 March 2026.

RECOMMENDATION(S):

- a) To maintain a general fund balance of between £2.0m and £2.5m.
- b) To consider the reserves the Council holds, and their levels as detailed in **Appendix A**.

IMPLICATIONS

Legal: None arising as a result of this report.

Financial : FIN/140/26/CPR/SL

As of 31 March 2025, Useable Reserves totalled £28.586m. After taking account of all approved movements the forecast balance as of 31st March 2031 is £18.027m, a reduction of £10.559m.

Corporate Policy and Resources Committee on the 12th of June 2025 considered a 'Review of Reserves' report to note the value held within Usable Reserves which could be agreed to fund future priorities. The amount provisionally allocated for reprioritisation was £8m.

The Corporate Plan is under development and once finalised a separate report will be brought to members to discuss the specific allocation of the £8m to align to corporate priorities.

Other approved use of reserves to the end of 2030/2031 totals £2.559m, which includes:

- Contributions to reserves £15.625m
- Use of reserves to fund capital expenditure (£12.586m)
- Use of revenue to fund revenue expenditure (£5.598m)

| Reserves Name | Balance at 31/03/25 £ | Potential Allocation for Reprioritisation £ | Other Approved Movements £ | Estimated Balance at 31/03/31 £ |
|---|-----------------------|---|----------------------------|---------------------------------|
| Service Investment / Renewals Total | 4,270,265 | (852,900) | 880,600 | 4,297,965 |
| Contingency / Risk Total | 5,755,234 | (650,000) | 59,300 | 5,164,534 |
| Investment for Priorities Reserve Total | 9,532,794 | (597,100) | (6,281,070) | 2,654,624 |
| Earmarked Reserves Total | 19,558,293 | (2,100,000) | (5,341,170) | 12,117,123 |
| General Fund Balance Total | 4,478,192 | 0 | (2,426,400) | 2,051,792 |
| Capital Receipts Total | 1,479,318 | (5,900,000) | 4,809,425 | 388,743 |
| Capital Grants Total | 3,070,115 | 0 | 399,585 | 3,469,700 |
| Usable Reserves Grand Total | 28,585,918 | (8,000,000) | (2,558,560) | 18,027,358 |

The full list of Usable Reserves and their current balance is attached at [Appendix A](#).

Staffing : None arising as a result of this report.

Equality and Diversity including Human Rights : None arising as a result of this report.

Data Protection Implications : None arising as a result of this report.

Climate Related Risks and Opportunities: None arising as a result of this report.

Section 17 Crime and Disorder Considerations: None arising as a result of this report.

Health Implications: None arising as a result of this report.

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.

Risk Assessment :

It is considered the Council has a strong level of both earmarked and general reserves.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Executive Summary

- 1.1 There is a Statutory requirement for Local Authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. As part of the budget process, the Chief Finance Officer (Director of Finance and Assets) is required to make a statement on the robustness of estimates and adequacy of reserves.
- 1.2 In advance of finalising the Revenue Budget 2026/2027, this report gives members the opportunity to consider in detail the outcome of the annual Earmarked Reserves review and the level of General Fund Working Balance. The Base Budget 2026/2027 will be presented to this Committee in February and recommended to Council in March 2026.
- 1.3 This process involves looking at each reserve in detail to ascertain the calls on the reserve for current and future years. The balance is then reviewed to see if it is still required and whether the amount is accurate for the purpose of the reserve.
- 1.4 In summary the Earmarked Reserves review proposes to:
 - Reduce the number of reserves by deleting those which are no longer required.
 - Consider the level of General Fund Balance (GFB)

2. Background

- 2.1 The Council retains the following useable reserves, with balances as of 31st March 2025 totalling £28.586m as detailed below:
 - General Fund £4.478m, this includes:
 - £1.126m revenue budget surplus at year end 2024/2025 which was transferred to GFB and then allocated to specific Earmarked Reserves during 2025/2026, and
 - £0.931m approved revenue budget carry forwards at year end 2024/2025 which were transferred to GFB and then allocated back out to services during 2025/2026
 - Balance of GFB excluding these two items £2.421m
 - Earmarked Reserves £19.558m
 - Capital Receipts £1.479m
 - Capital Grants £3.070m
- 2.2 Reserves are sums set aside to meet possible future costs where there is no certainty about whether the costs will be incurred. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future

expenditure when calculating the budget requirement. Earmarked Reserves can only be used for the purposes for which they are earmarked. If the purpose of the reserve is to be changed, then this would require Council approval.

2.3 When reviewing the medium-term financial plan and preparing the annual budget a review of reserves is undertaken to consider future need, the establishment of new reserves, deletion of reserves no longer needed and maintenance of existing reserves.

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 overall General Fund Balance.

West Lindsey District Council Earmarked Reserves are allocated across the following three categories:

- **Service Investment and Renewals** – Funds are set aside for known or planned future expenses, such as the maintenance or replacement of assets (e.g., vehicles, buildings), IT upgrades, or specific transformation projects that span multiple financial years.
- **Contingency and Risks** – Reserves provide a safety net to cushion the impact of unforeseen major one-off events or unbudgeted statutory items. This includes the Budget Stability reserve which is held to smooth the effects of reductions to government funding.
- **Investment for Priorities** – Earmarked funds set aside to finance specific planned projects or strategic objectives. This includes reserves allocated for Environmental and Climate Change projects, Cultural Strategy and Communities at Risk.

2.4 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. Guidance is published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the establishment and maintenance of local authority reserves and balances. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Financial Officer on an annual basis.

- 2.5 In respect of the General Fund Working Balance, it was recommended in the review of reserves report 2024/2025 that the General Fund balance should be between £2.0m to £2.5m. It is the view of the Chief Finance Officer that this level be maintained for 2025/2026. This level represents between 10.7% - 13.4% of the Council's revenue budget 2025/2026.
- 2.6 The Useable Reserves totalling £28.586m on 31 March 2025 have been reviewed for relevance, accuracy and sustainability.
- 2.7 The full list of Earmarked Reserves and their current balance is attached at **Appendix A**.

3. Budget Setting 2026/2027

- 3.1 As the Council looks to set its budget for 2026/2027 we await confirmation of the final funding figures from the government, business rates retention values and Drainage Board Levies payable.
- 3.2 Once the final position is fully known Members will be updated accordingly. The Council holds a Budget Stability Reserve; this reserve currently has a balance of £2.14m which if the Council does face a budget shortfall could be used in the short term to cushion the effect on services whilst savings are identified to bridge any budget gap. Conversely, any surplus will be a movement to reserves, subject to member approval through the Medium Term Financial Plan for 2026/2027.
- 3.3 The Government announced a business rates revaluation reset, which resets the rateable value of properties, which will come into effect on the 1st April 2026. This will mean any growth the Council has over the original baseline may be lost. Whilst it is difficult to quantify at this stage, the Council does have a Business Rates Volatility Reserve of £3.297m to help smooth any impact this reset may have. External advice has suggested that at least £1.3m of this reserve will be needed to fund the business rates reset in 2026/2027. The balance on the reserve included at Appendix A of £2.677m includes an adjustment for the anticipated impact pending the final figure.

4. Consider the level of General Fund Balance

- 4.1 The Council's General Fund Balance, including previously approved use of reserves, is currently forecast at £2.198m as of 31st March 2026 (£2.052m forecast as of 31st March 2031). The Director of Finance and Assets (S151 Officer) considers that this is a satisfactory level of general fund to be maintained compared to the size of the general fund budget.
- 4.2 Whilst there is no prescribed level of General Reserve the Council should hold, the level should not be excessive and it is prudent to consider the size of the Council's revenue budget. It is proposed to maintain a balance of between £2.0m - £2.5m which is 10.7% to 13.4% of the Council's 2025/2026 base budget requirement.

5. Potential Allocation for Reprioritisation

5.1 Corporate Policy and Resources committee on the 12th of June 2025 considered a ‘Review of Reserves’ report to note the value held within Usable Reserves which could be agreed to fund future priorities.

5.2 The amounts which are provisionally allocated for reprioritisation against existing Useable Reserve balances are included in the table at **Appendix A**.

| Reserves Name | Balance at 31/03/25 £ | Potential Allocation for Reprioritisation £ | Other Approved Movements £ | Estimated Balance at 31/03/31 £ |
|---|-----------------------|---|----------------------------|---------------------------------|
| Service Investment / Renewals Total | 4,270,265 | (852,900) | 880,600 | 4,297,965 |
| Contingency / Risk Total | 5,755,234 | (650,000) | 59,300 | 5,164,534 |
| Investment for Priorities Reserve Total | 9,532,794 | (597,100) | (6,281,070) | 2,654,624 |
| Earmarked Reserves Total | 19,558,293 | (2,100,000) | (5,341,170) | 12,117,123 |
| General Fund Balance Total | 4,478,192 | 0 | (2,426,400) | 2,051,792 |
| Capital Receipts Total | 1,479,318 | (5,900,000) | 4,809,425 | 388,743 |
| Capital Grants Total | 3,070,115 | 0 | 399,585 | 3,469,700 |
| Usable Reserves Grand Total | 28,585,918 | (8,000,000) | (2,558,560) | 18,027,358 |

5.3 The Corporate Plan is under development and once finalised a separate report will be brought to members to discuss the specific allocation of the £8m to align to corporate priorities.

6. Conclusion

6.1 In conclusion it is recommended to:

- Maintain the general fund balance between £2.0m and £2.5m.

APPENDIX A – BALANCES OF USEABLE RESERVES

| Reserve Name | Purpose | Balance at 31/03/25 £ | Potential Allocation for Reprioritisation £ | Other Approved Movements £ | Estimated Balance at 31/03/31 £ |
|--|--|-----------------------|---|----------------------------|---------------------------------|
| Civic Reserve | To fund replacement of Civic Car. Annual contribution to reserve removed from 2026/2027 onwards (approved by CP&R 11/12/25). | 25,000 | | 5,000 | 30,000 |
| District Elections | To finance future Election costs - held every 4 years. | 54,000 | | 110,000 | 164,000 |
| 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 | | 0 | 29,600 |
| ICT Reserve | To meet the costs of Information & Communications Technology Upgrades. | 510,916 | | 58,000 | 568,916 |
| Members ICT Reserve | Provision of Members' ICT. | 26,819 | | 13,300 | 40,119 |
| Maintenance of Facilities | To meet future property maintenance requirements. | 684,794 | | (150,900) | 533,894 |
| Neighbourhood Planning Grant | To allocate Neighbourhood Planning Grant income from MHCLG to support cost of Neighbourhood Planning process. | 0 | | 50,000 | 50,000 |
| Project Investment Reserve | To assist with costs associated with Business Case Development. | 1,040,182 | | (658,800) | 381,382 |
| Invest to Save | To support initial investments which deliver savings to the Council over the medium to longer term. | 452,900 | (452,900) | 0 | 0 |
| Revenue Grants Unapplied | Revenue grants which have yet to be expended. | 1,169,100 | | (604,300) | 564,800 |
| Trinity Arts Centre | Increase in ticket prices (eff 18/19) to be transferred to EMR for contribution towards future projects. | 50,000 | | 0 | 50,000 |
| Extended Producer Responsibility (EPR) | to hold the EPR funding and monitor application. | 0 | | 1,525,000 | 1,525,000 |
| Vehicle Replacement Programme | To support service development and replacement fleet across the Authority. | 226,953 | (400,000) | 533,300 | 360,253 |
| Service Investment / Renewals Total | | 4,270,265 | (852,900) | 880,600 | 4,297,965 |

| Reserve Name | Purpose | Balance at 31/03/25 £ | Potential Allocation for Reprioritisation £ | Other Approved Movements £ | Estimated Balance at 31/03/31 £ |
|--|---|-----------------------|---|----------------------------|---------------------------------|
| Business Rates Volatility Reserve | To meet the costs of any variances of the business rate retention scheme. | 1,950,807 | | 726,000 | 2,676,807 |
| Budget Stability Reserve | This reserve is set aside to smooth the effects of reductions to government funding which may happen during the next 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 | | (467,900) | 2,139,927 |
| 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 | | 1,200 | 8,300 |
| Insurance Fund | To meet any excess on insurance claims. | 73,200 | | 0 | 73,200 |
| Redundancy Contingency | To meet costs of staff redundancies. | 266,300 | | 0 | 266,300 |
| Valuation Volatility | To mitigate any loss on investment from the sale of commercial investment properties. | 850,000 | (650,000) | (200,000) | 0 |
| Contingency / Risk Total | | 5,755,234 | (650,000) | 59,300 | 5,164,534 |
| Property Asset Fund | To support strategic housing and commercial property initiatives. | 608,016 | (246,000) | (82,500) | 279,516 |
| Community Grant Scheme | Community grant scheme to support community projects and the councillor award initiative. | 22,300 | | 4,400 | 26,700 |
| Cultural Strategy Reserve | To develop the Council's Cultural Strategy in line with the recommendation contained within the Peer Review. | 250,900 | | 249,100 | 500,000 |
| Communities at Risk | Support for communities at risk (2 identified CAR are currently Hemswell Cliff and South West Ward). | 441,805 | | (299,070) | 142,735 |
| Environmental and Climate Change Reserve | Fund projects designed to reduce the carbon impact of the Council's operations. | 477,206 | | (70,000) | 407,206 |
| Feasibility Fund | Match funding for the rural business intervention to support businesses with revenue costs. | 140,000 | | (100,000) | 40,000 |
| 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 | (100,000) | (20,000) | 86,100 |
| Investment for Growth | To support internal and local housing and business growth. | 7,329,466 | (251,100) | (6,213,000) | 865,366 |
| Public Realm | To support the new capital assets created from Grant Funded capital schemes | 0 | | 250,000 | 250,000 |
| CIL Reserve | Budget smoothing for CIL contributions and expenditure. To fund CIL officer and any other CIL related spend. | 57,000 | | 0 | 57,000 |
| Investment for Priorities Reserve Total | | 9,532,794 | (597,100) | (6,281,070) | 2,654,624 |
| Earmarked Reserves Total | | 19,558,293 | (2,100,000) | (5,341,170) | 12,117,123 |

| | | | | | |
|-------------------------------------|---|-------------------|--------------------|--------------------|-------------------|
| General Fund Balance Total | A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. | 4,478,192 | 0 | (2,426,400) | 2,051,792 |
| Capital Receipts Total | Capital receipts are generated from the sale of a local authority's capital assets, such as land, buildings, or vehicles. The two main uses are: financing new capital expenditure and repaying debt. | 1,479,318 | (5,900,000) | 4,809,425 | 388,743 |
| Capital Grants Total | To provide a specific, restricted source of funding for long-term investments in physical assets and infrastructure. | 3,070,115 | 0 | 399,585 | 3,469,700 |
| Useable Reserves Grand Total | | 28,585,918 | (8,000,000) | (2,558,560) | 18,027,358 |