

| This report is public | |
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| Review of Reserves | |
| Committee | Budget Planning Committee |
| Date of Committee | 20 January 2026 |
| Portfolio Holder presenting the report | Portfolio Holder for Finance & Property, Councillor McLean |
| Date Portfolio Holder agreed report | 30 December 2025 |
| Report of | Assistant Director of Finance (Section 151 Officer) |

Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2026/27 and the Medium-Term Financial Strategy (MTFS) 2025/26 – 2030/31.

1. Recommendations

The Budget Planning Committee resolves:

- 1.1 To note the outcome of the review of reserves and the forecast over the MTFS period.
- 1.2 To provide the Executive with feedback on whether the Committee supports the draft reserve allocations.

2. Executive Summary

- 2.1 The council undertakes a review of its reserves at least annually. The reserves are divided into the following strategic pots:
 - General Balances
 - Earmarked Reserves
 - Revenue Grant Related Reserves
 - Capital Reserves
- 2.2 This report delivers the outcome of the review for 2025/26 for inclusion in the Budget and Medium-Term Financial Strategy 2026/27 – 2030/31 report which will be taken to the Executive and Council in February 2026.

- 2.3 The prudent level of General Fund Reserve, as assessed by the Chief Finance Officer, has increased from £7.852m to £8.011m for 2026/27, reflecting updated risk assumptions. The actual General Fund balance stands at £8.021m following prior year outturn adjustment.
- 2.4 The council is forecasting to end the 2025/26 financial year with total reserves of £49.294m. A net contribution of £0.917m to revenue reserves, and a net use of £3.416m of capital reserves is expected to be proposed in the 2026/27 budget. The forecast reserves position at the end of the Medium-Term Financial Strategy period 2026/27 – 2030/31 is £51.099m.

Implications & Impact Assessments

| Implications | Commentary |
|------------------------|--|
| Finance | <p>There are no immediate financial implications associated with this report. The Reserves Policy and proposed changes to reserves will be considered by the Executive and uses of/contributions to reserves agreed by Council as part of the 2026/27 budget.</p> <p>Joanne Kaye, Head of Finance 15 December 2025</p> |
| Legal | <p>The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and precept, the Chief Finance Officer must report to it on the following matters: the robustness of the estimates made for the purposes of the calculations; and the adequacy of the proposed financial reserves.</p> <p>The authority must have due regard to the report when making decisions on the budget and precept.</p> <p>Shiraz Sheikh, Assistant Director of Law and Governance (Monitoring Officer), 15 December 2025</p> |
| Risk Management | <p>The move to increase general balances and maintain strategic reserves will help the council to manage financial risks that could materialise in the future. Finance resilience related risks</p> |

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| | are managed within the Leadership Risk Register, as and when deemed necessary (L01). | | | |
| | Celia Prado-Teeling, Performance Team Leader, 15 December 2025 | | | |
| Impact Assessments | Positive | Neutral | Negative | Commentary |
| Equality Impact | | | | N/A |
| A. Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality? | | | | N/A |
| B. Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users? | | | | N/A |
| Climate & Environmental Impact | | | | N/A |
| ICT & Digital Impact | | | | N/A |
| Data Impact | | | | N/A |
| Procurement & subsidy | | | | N/A |
| Council Priorities | All | | | |
| Human Resources | N/A | | | |
| Property | N/A | | | |
| Consultation & Engagement | N/A | | | |
| Supporting Information | | | | |

3. Background

- 3.1 Executive approved a revised Reserves Policy (attached at Appendix 1 for reference) at its meeting in September 2024 and throughout the year the Executive has been consulted on proposed movements to and from reserves regularly as part of the monthly performance reporting. A further review has taken place to consider the forecast use of reserves to ensure the council retains a prudent level of reserves over the medium term.

4. Details

- 4.1 The review of reserves was carried out in several stages:
1. Understanding what plans there were to spend reserves that were held over the next five years.
 2. Considering what level of general balances CDC should hold, based on a risk assessment.
 3. Identifying those reserves that are ringfenced as they have specific grant objectives to deliver.
 4. Considering what strategic earmarked reserves CDC should hold.
- 4.2 After conducting a risk assessment (attached at Appendix 3), it is proposed that the Council sets the minimum level of General Fund Balances at £8.011m, reflecting the updated prudent level recommended by the Chief Finance Officer. The actual General Fund balance stands at £8.021m, an increase from £7.852m following the prior year outturn process and adjustments made in response to funding risk indications from the local government finance settlement. Therefore, it remains prudent to retain general balances at this level.
- 4.3 The forecast overspend as at the end of November (Period 8) is £0.609m; however, the Council will continue to work to reduce the overspend to nil throughout the remainder of the year. In the event of an overspend at year end, other earmarked reserves will be used to ensure that the General Fund Balance remains above £8.021m.
- 4.4 A summary of the outcome of the reserves review can be seen in Table 1 and the detailed reserves anticipated to be held by the council can be seen at Appendix 2.

Table 1: Overview of reserves

| Row Labels | Balance 1 April 2025 £m | Forecast Transfers (to)/from £m | Forecast Balance 31 March 2026 £m | 26/27 forecast transfers (to)/from £m | 27/28 forecast transfers (to)/from £m | 28/29 forecast transfers (to)/from £m | 29/30 forecast transfers (to)/from £m | 30/31 forecast transfers (to)/from £m | Forecast balance as at 31/3/2031 £m |
|-------------------------|-------------------------|---------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|
| General Balances | (8.021) | | (8.021) | - | - | - | - | - | (8.021) |
| Earmarked Reserves | (31.297) | (3.687) | (34.985) | 0.585 | (1.577) | (1.592) | (1.592) | (1.598) | (40.760) |
| Revenue Grants | (1.918) | 0.559 | (1.360) | 0.333 | 0.049 | 0.027 | 0.017 | 0.007 | (0.928) |
| Subtotal Revenue | (41.236) | (3.129) | (44.365) | 0.917 | (1.528) | (1.565) | (1.575) | (1.591) | (49.708) |
| Capital Reserves | (5.321) | 0.392 | (4.929) | 3.416 | 0.061 | 0.061 | - | - | (1.391) |
| Total | (46.557) | (2.736) | (49.294) | 4.333 | (1.467) | (1.505) | (1.575) | (1.591) | (51.099) |

4.5 It should be noted that the uses of reserves for the 2026/27 budget and MTFS are still being finalized, so figures may be updated in the final budget proposals.

5. Alternative Options and Reasons for Rejection

5.1 The following alternative options have been identified and rejected for the reasons as set out below.

- Option 1: Do nothing. This would leave resources in earmarked funds that have been funded in alternative ways and reduce the council's strategic flexibility with its reserves.

6. Conclusion and Reasons for Recommendations

6.1 The proposed allocations of reserves will retain flexibility in how the council uses its reserves in the future and puts in place mitigations for risks the council may face in the future.

Decision Information

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| Key Decision | N/A |
| Subject to Call in | N/A |
| If not, why not subject to call in | N/A |
| Ward(s) Affected | N/A |

Document Information

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| Appendices | |
| Appendix 1 | Reserves Policy |
| Appendix 2 | Reserves Forecast 2025/26 – 2030/31 |
| Appendix 3 | General Balances Risk Assessment |
| Background Papers | None |
| Reference Papers | None |
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| Corporate Director Approval (unless Corporate Director or Statutory Officer report) | N/A Statutory Officer Report |