

General Balances and Earmarked Reserves

- The risk assessment for the level of balances for 2023/24 was included as part of the Earmarked Reserves and General Balances Policy Statement 2023/24 and includes an assessment of the risk of emergencies, directorate overspends, the non – achievement of planned savings, possible liabilities for which no provision has been made and risks related to major contracts and third party spend.

Area of risk	2023/24 £m	Explanation of risk/justification of balances	2022/23 £m
Emergencies	5.4	An allowance of 1.0% of annual net operating budget for the cost of responding to emergencies that falls outside of eligibility for the Bellwin Scheme	5.2
Directorate overspends	13.2	Risk that directorates will overspend due to unforeseen pressures, demography or demand (based on a 2.5% adverse variance for 2023/24) and no mitigations are available	8.4
Non-achievement of planned savings		Risk that savings are not achieved. Assumes 25% are not achieved - removed from 2023/24 as in practice this would be wrapped into the % variation above	4.3
Contingent liabilities & insurance risk	4.6	Possible liabilities for which no provision has been made or funding set aside in an earmarked reserve (0.5% of gross expenditure or minimum to meet quantified contingent liabilities)	4.5
Major contracts & 3rd party spend	7.0	Risk of contractors failing, mis-specification, or non-delivery plus contract costs increase by more than allowed for in the budget - calculated as 1% of estimated spend with suppliers	6.5
Total	30.2		28.9

- The current MTFs assumed general balances would be £30.2m at the start of 2023/24 after taking account of a budgeted contribution of £6.8m. The actual position at the end of 2022/23, after taking account of an overspend of £13.4m, was £22.6m. A further contribution of £0.8m to top up to the risk assessed level was agreed by Cabinet in May 2023.
- After taking account of the forecast overspend of £8.5m, the Business Management & Monitoring report to Cabinet in September 2023 forecasts that general balances will be £21.5m at the end of 2023/24. This is £8.7m lower than the risk assessed level of £30.2m. Any increase to the forecast overspend in 2023/24 would require further use of balances. The level of balances for 2024/25, and funding for any top-up to that level, will be considered through the Budget and Business Planning process.
- When the budget and MTFs was agreed in February 2023, earmarked reserves were expected to be £167.7m at the end of 2022/23 before taking account of the negative balance held in the DSG unusable reserve. The actual position at 31 March 2023 was £202.9m. The latest forecast indicates that earmarked reserves are expected to be £169.8m at the end of the 2023/2 but this will continue to be updated as the year progresses.

Reserves	Balance at 31 March 2023 £m	Budgeted Contributions to (+)/from (-) Reserves £m	Other Changes to Reserves £m	Forecast Balance at 31 March 2024 £m
Revenue Grants Unapplied				
Grants and Contributions Reserve	37.2		-16.3	20.9
COVID-19 Reserve	15.4	-7.4	-1.9	6.2
Government Initiatives Reserve	2.3		-0.1	2.2
Subtotal	54.9	-7.4	-18.3	29.3
Corporate Priorities				
Budget Priorities Reserve	11.4	1.8	-10.3	2.9
Transformation Reserve	1.5	4.3	-2.0	3.8
Zero Emissions Zone	0.5			0.5
Youth Provision Reserve	0.3			0.3
Subtotal	13.7	6.1	-12.3	7.5
Funding for Risk				
Insurance Reserve	12.9			12.9
Demographic Risk Reserve	13.0	4.0		17.0
Council Elections	0.4		0.2	0.6
Redundancy Reserve	2.4			2.4
Trading Accounts	0.2		-0.2	0.0
Council Tax Collection Fund Reserve	3.0			3.0
Business Rates Reserve	9.5			9.5
Subtotal	41.3	4.0	0.0	45.3
Capital & Equipment				
Capital & Prudential Borrowing Reserves	67.8	10.0	-11.7	66.1
Vehicle and Equipment Reserve	3.4			3.4
Investment Pump Priming Reserve	2.0		-2.0	0.0
Subtotal	73.2	10.0	-13.7	69.5
Other Reserves				
Partnership Reserves	1.9			1.9
On-Street Car Parking Reserve	4.9			4.9
Subtotal	6.8	0.0	0.0	6.8
Unusable Reserves				
Schools' Reserves	12.9	0.0	-1.5	11.4
Total	202.9	12.7	-45.8	169.8
DSG Reserve¹	-41.1		-18.3	-59.4
Total Reserves	161.8	12.7	-64.1	110.4

¹ The cumulative High Needs DSG deficit.

High Needs Dedicated Schools Grant Unusable Reserve

5. The School and Early Years Finance (England) Regulations 2020 stipulate that a deficit on the Dedicated Schools Grant (DSG) must be carried forward to be funded from future DSG income unless permission is sought from the Secretary of State for Education to fund the deficit from general resources.
6. Further clarification of the accounting treatment for deficit DSG balances was provided by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 which came into force on 29 November 2020. These stipulated that where a local authority has a deficit in respect of its school budget for a financial year beginning on 1st April 2020, 2021 or 2022, the authority—
 - (a) must not charge to a revenue account an amount in respect of that deficit; and
 - (b) must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its school budget
7. As a result of this, an unusable reserve was created on the balance sheet to hold the negative balance.
8. The regulations which require the negative balance to be held in an unusable reserve were due to come to an end on 1 April 2023. In December 2022 the government agreed to the extension of the DSG statutory override for a one-off period of three years (up to March 2026).
9. As at 31 March 2023, the DSG Unusable Reserve had a negative balance of £33.6m of which a negative balance of £41.1m related to High Needs DSG. This reserve will continue to increase in deficit over the MTFS period and the high needs element is forecast to be in deficit by £59.4m at 31 March 2024.
10. Beyond the period of the statutory override, the expectation is that the balance on the DSG Unusable Reserve will transfer back to the Council's total Earmarked Reserves. If this happens, it would materially impact on the overall level of reserves and the financial sustainability of the council.

COVID-19 Reserve

11. As part of the budget and MTFS agreed in February 2023, £13.4m of the remaining funding held in the COVID-19 reserve was agreed to be used to meet short to medium term COVID-19 pressures from 2023/24 to 2025/26. The remaining balance is being used to support pressures in 2023/24 and 2024/25.

Grants & Contributions Reserve

12. This reserve holds underspends on ringfenced grant funding which needs to be used in accordance with the grant conditions in future years.
13. Almost half of the £37.2m balance at 31 March 2023 related to grant funding for the Homes for Ukraine scheme that was not been required to be spent by the end of 2022/23. This will be used to support the on-going cost of the scheme in Oxfordshire as agreed by Cabinet in July 2023.
14. Public Health grant funding held in the reserve totalled £5.9m at 31 March 2023. The planned use of the reserve was considered as part of the Budget & Budget process for 2023/24 and noted that a three way approach would be taken:

- Standing up public health services disrupted by COVID-19 in key priority areas.
- Working with wider council on new areas to promote prevention and reduce demand across the council.
- Support to fund and protect wider existing council preventative public health activities.

Business Rates Reserve

15. This reserve is held to manage fluctuations in Business Rate income that the Council receives.
16. Business Rate income for 2022/23 was estimated in the budget agreed in February 2022 as information about both the 2022/23 income and 2021/22 deficit position was received from the district councils after the budget was agreed. As set out in the Business Management & Monitoring Report to Cabinet in July 2022 the actual income was £5.9m more than estimated in the budget and was added to the Business Rates Reserve pending agreement about the use of this funding. The use of £9.5m funding held in the Business Rates Collection Fund Reserve to manage fluctuations in business rates and other purposes will be considered as part of the Budget & Business Planning process for 2024/25.