

General Balances and Earmarked Reserves

- The risk assessment for the level of balances for 2024/25 was included as part of the Earmarked Reserves and General Balances Policy Statement 2024/25 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	2024/25 £m	Explanation of risk/justification of balances	2023/24 £m
Emergencies	6.1	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	5.4
Directorate overspends	15.8	Risk that directorates will overspend due to unforeseen pressures, demography or demand and no mitigations are available - assumes 2.5% overspend	13.2
Contingent liabilities & insurance risk	3.1	Possible liabilities for which no provision has been made or funding set aside in an earmarked reserve (0.25% of net expenditure or minimum to meet quantified contingent liabilities)	4.6
Major contracts & 3rd party spend	5.2	Risk of contractors failing, mis-specification, or non-delivery plus contract costs increase by more than allowed for in the budget - calculated as 0.75% of estimated spend with suppliers (reduced from 1.0% in 2023/24)	7.0
Total	30.2		30.2
Contingency (on-going funding)	7.3		8.3
Total Balances and Contingency	37.5		38.5

Risk assessed level of Balances as % of net operating budget	4.9%
Net operating budget - spend per week	11.8
Weeks of spend	2.6

2. The current MTFS assumed general balances would be at least £3.7m higher than the risk assessed level at the start of 2024/25 as a result of additional interest received on cash balances during 2023/24. The actual position at the end of 2023/24, after taking account of the underspend of £12.3m, was £42.0m, £11.8m above the 2024/25 risk assessed level. As agreed as part of the 2024/25 budget £3.7m of this one – off funding has been used to fund contributions to reserves in 2024/25. As set out in the Provisional Outturn Report for 2023/24 a further £5.8m was agreed to be used to make a further £2.8m contribution to the IFRS9 reserve, to provide £2.0m funding for the council's Commercial Strategy and to make a £1.0m contribution to the Budget Priorities Reserve. The remaining £2.3m was agreed to be held in balances pending a decision about future use.
3. After taking account of the forecast underspend of £0.4m and the £2.3m, the Business Management & Monitoring report to Cabinet in September 2024 forecasts that general balances will be £33.0m at the end of 2024/25. This is £2.8m higher than the risk assessed level of £30.2m. The level of balances for 2025/26 will be considered through the Budget and Business Planning process.
4. When the budget and MTFS was agreed in February 2024, earmarked reserves were expected to be £165.2m at the end of 2023/24 before taking account of the negative balance held in the DSG unusable reserve. The actual position at 31 March 2024 was £210.1m. The latest forecast indicates that earmarked reserves are expected to be £172.5m at the end of the 2024/25 but this will continue to be updated as the year progresses.

Reserves	Balance at 31 March 2024 £m	Budgeted Contributions to/from Reserves £m	Other Changes to Reserves £m	Balance at 31 March 2025 £m
Revenue Grants Unapplied				
Grants and Contributions Reserve	33.7	0.0	-13.3	20.4
COVID-19 Reserve	7.9	-3.8	0.0	4.1
Government Initiatives Reserve	3.2	0.0	-0.5	2.7
Subtotal	44.7	-3.8	-13.8	27.2
Corporate Priorities				
Budget Priorities Reserve	10.7	-1.4	-7.5	1.9
Transformation Reserve	1.8	-1.5	4.7	5.0
Zero Emissions Zone	1.2	0.0	0.0	1.2
Commercial Pump Priming Reserve	0.0	0.0	2.0	2.0
Subtotal	13.8	-2.9	-0.8	10.1
Funding for Risk				
Insurance Reserve	10.3	0.0	0.0	10.3
Demographic Risk Reserve	17.0	4.0	0.0	21.0
Council Elections	0.6	0.0	0.2	0.8
Redundancy Reserve	2.4	0.0	1.3	3.7
Trading Accounts	0.1	0.0	-0.1	0.0
Council Tax Collection Fund Reserve	3.0	0.0	-3.0	0.0

Reserves	Balance at 31 March 2024	Budgeted Contributions to/from Reserves	Other Changes to Reserves	Balance at 31 March 2025
	£m	£m	£m	£m
Business Rates Reserve	11.7	0.0	-11.7	0.0
Collection Fund Reserve	0.0	0.0	8.4	8.4
IFRS9 Changes in the Value of Pooled Funds	0.0	0.0	5.0	5.0
Subtotal	45.0	4.0	0.1	49.1
Capital & Equipment				
Capital & Prudential Borrowing Reserves	80.8	10.2	-26.4	64.7
Vehicle and Equipment Reserve	4.1	0.0	-1.7	2.4
Investment Pump Priming Reserve	0.1	2.2	-2.2	0.1
Subtotal	85.1	12.4	-30.3	67.2
Other Reserves				
Partnership Reserves	2.1	0.0	-0.3	1.7
On-Street Car Parking Reserve	6.5	0.0	-2.2	4.3
Budget Equalisation Reserve	0.0	1.2	-1.2	0.0
Subtotal	8.6	1.2	-3.7	6.0
Unusable Reserves				
Schools' Reserves ¹	13.0	0.0	0.0	13.0
Total	210.1	10.9	-48.5	172.5
DSG High Needs deficit within Unusable Reserve	-55.8		-21.3	-77.1
Total Reserves	154.3	10.9	-69.7	95.5

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

¹ This is made up of surpluses of £14.1m and deficits of £1.1m.

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 2024, the DSG Unusable Reserve had a negative balance of £45.6m of which a negative balance of £55.8m 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 £77.1m at 31 March 2025.
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 set out in the Provisional Outturn Report for 2023/24 £1.4m funding not required to be used to fund pressures in Children's Social Care in 2023/24 based on the position at year end is available to support future pressures or initiatives. All of the other funding held in the reserve is built into the Medium Term Financial Strategy.

Transformation Reserve

12. £7.7m funding was agreed to be added to the Transformation Reserve as part of the budget agreed in February 2024 is being used to enable the next phase of transformation to be delivered and to create a sustainable council for the future.

Grants & Contributions Reserve

13. This reserve holds underspends on ringfenced grant funding which need to be used in accordance with the grant conditions in future years.
14. £11.7m of the £33.7m balance at 31 March 2024 related to grant funding for the Homes for Ukraine scheme. This will be used to support the on-going cost of the scheme in Oxfordshire.
15. Public Health grant funding held in the reserve totalled £4.5m at 31 March 2024. The planned use of the reserve primarily reflects projects and activities to promote prevention and reduce demand across the council.

Collection Fund Reserve

16. This reserve is held to manage fluctuations in Business Rates and Council Tax income that the Council receives, and the intention set out in the Reserves and Balances Policy Statement for 2024/25 was to hold a balance of £4.0m.
17. After taking account of additional business rates funding in 2023/24 and 2024/25 the total in the reserve is currently expected to be £8.4m at the end of 2024/25. The use of this funding will be considered through the Budget & Business Planning Process for 2025/26.