

General Balances and Earmarked Reserves

- The risk assessment for the level of balances for 2022/23 was included as part of the Earmarked Reserves and General Balances Policy Statement 2022/23 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 thirs party spend.

Area of risk	2022/23 £m	Explanation of risk/justification of balances	2021/22 £m
Emergencies	5.2	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	4.8
Directorate overspends	8.4	Risk that directorates will overspend due to unforeseen pressures, demography or demand (based on a 3.0% adverse variance less available Contingency budget).	9.3
Non-achievement of planned savings	4.3	Risk that savings are not achieved. Assumes 25% are not achieved	3.9
Contingent liabilities & insurance risk	4.5	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)	4.3
Major contracts & 3rd party spend	6.5	Risk of contractors failing, mis-specification, or non-delivery plus contract costs increase by more than allowed for in the budget - calculated as 2.0% of estimated spend on major contracts and third party spend	6.5
Total	28.9		28.8

- The current MTFs assumed general balances would be £33.0m at the start of 2022/23 including a budgeted annual contribution of £1.0m. The actual position at the end of 2021/22 was £39.2m. After taking account of the agreed use of balances to support the capital programme, and the forecast overspend of £5.9m, the Business Management & Monitoring report to Cabinet in September 2022 forecasts that general balances will be £30.8m at the end of 2022/23. This is £1.9m higher than the risk assessed level of £28.9m. Any increase to the forecast overspend beyond £5.9m would require further use of balances.
- When the budget and MTFs was agreed in February 2022, earmarked reserves were expected to be £146.6m at 31 March 2022. The actual position at 31 March 2022 was £183.6m. The latest forecast included in the Business Management & Monitoring Report to Cabinet in September 2022 indicates that earmarked reserves are currently expected to be £190.6m by the end of the 2022/23 financial year before taking account of the DSG unusable reserve.

	Forecast Balance at 31 March 2022	Actual Balance at 31 March 2022	Forecast Balance at 31 March 2023
	£m	£m	£m
Schools' Reserves	11.8	14.6	14.6
Vehicle and Equipment Reserve	2.4	2.7	2.7
Grants and Contributions Reserve	9.1	24.7	24.5
Government Initiatives	1.4	3.4	0.7
Trading Accounts	0.4	0.4	0.4
Council Elections	0.4	0.1	0.3
Partnership Reserves	1.0	2.4	2.4
On Street Car Parking	1.9	4.0	4.0
Transformation Reserve	2.8	2.2	0.7
Demographic Risk Reserve	9.0	9.0	13.0
Youth Provision Reserve	0.0	0.2	0.2
Budget Priorities Reserve	11.6	18.5	11.8
Budget Equalisation Reserve	0.0	0.0	1.6
Insurance Reserve	12.5	11.8	11.8
Business Rates Reserve	3.1	4.1	9.5
Capital Reserves	45.0	47.9	67.2
Investment Pump Priming Reserve	2.0	2.0	2.0
Council Tax Collection Fund	6.0	6.0	3.0
Redundancy Reserve	2.8	3.3	3.3
COVID-19 Reserve	23.4	26.3	16.9
Total Reserves	146.6	183.6	190.6
Less DSG Unusable Reserve (*)	-28.4	-23.6	-42.3
Total Reserves	118.2	160.0	148.3

(*) Total net deficit including High Needs and other positive balances (eg. the new schools set up fund). The High Needs DSG deficit totalled £29.8m at 31 March 2022 and is forecast to increase by £17.5m to £47.3m by 31 March 2023.

COVID-19 Reserve

4. As part of the budget and MTFS agreed in February 2022, £20.2m of the funding held in the COVID-19 reserve was agreed to be used to meet short to medium term COVID-19 pressures from 2022/23 to 2025/26. The detailed budget changes are shown in Annex 1c and the planned use of the reserve in each year is shown below. Some of the pressures are expected to be permanent and require on-going base budget funding. Where that is the case the replacement council funding is included in the on-going future year pressures in Annex 1c.

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adult Services	1.8	0.9				2.7
Children's Services	4.6	4.2	2.7	1.7		13.2
Environment & Place	1.2	0.4	0.0			1.6
Customers, Culture & Corporate Services	0.9	0.8	0.5	0.5		2.7
Total use of reserve	8.4	6.3	3.2	2.2	0.0	20.2
Change compared to previous year	8.4	-2.1	-3.2	-1.0	-2.1	0.0

Grants & Contributions Reserve

5. This reserve holds underspends on ringfenced grant funding which needs to be used in accordance with the grant conditions.

Budget Priorities Reserve

6. This includes £7.7m one - off funding to support the council's priorities that was agreed as part of the 2022/23 budget in February 2022. £0.250m has been agreed to be used to support the implementation of "Vision Zero". A further £0.250m has been agreed to be used to support partners in the delivery of a food strategy action plan.
7. As set out in the Earmarked Reserves and General Balances Policy Statement for 2022/23 £7.0m from the Budget Priorities Reserve (including future budgeted contributions) has been agreed to be used to contribute to the Capital Reserve to help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes.
8. £10.6m of the total held in the reserve at the end of 2021/22 related to Adult Social Care. £5.5m of the total was released from the council's contribution to the Better Care Fund Pool as a result of additional contributions from Oxfordshire Clinical Commissioning Group over the last three financial years. The majority of this funding is expected to be used during 2022/23.

High Needs DSG Unusable Reserve

9. 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.
10. 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—
- must not charge to a revenue account an amount in respect of that deficit; and
 - 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

11. As a result of this, an unusable reserve was created on the balance sheet to hold the negative balance.
12. The existing statutory over-ride that enables this approach will come to an end on 31 March 2023 so further guidance on the arrangements for 2023/24, following a consultation in August 2022, is awaited. However, despite the expenditure currently being held in the unusable reserve, this is real expenditure which needs to be considered as part of the overall financial position for the council.