

### Projected Earmarked Reserves and Balances 31 March 2025

As part of the 2025/26 budget planning process, a thorough review and repositioning of all earmarked reserves has been undertaken. A number of historic reserves are proposed to be re-purposed for current and future commitments and to align Cabinet approvals for the use of reserves for specific items of expenditure.

Following this review, reserve balances available to provide financial resilience against unforeseen events stands at £70.9m. Taken alongside the forecast General Fund position, this results in £121.4m, or 10% of the 2025/26 net revenue budget, of cover to mitigate against future risk and uncertainties.

The following assumptions should be noted:

- The Earmarked Reserves position presented below reflects the estimated closing balance for 2024/25 and hence the total reserves available for the financial year 2025/26.
- The forecast increase in the General Fund Balance reflects the current budget position for 2024/25, which requires the utilisation of £18.6m of the risk contingency budget. This would leave £1.4m remaining to contribute to increasing the General Fund Balance.
- The increase in the Transformation Reserve, reflects the approval of the following programmes to be funded via transformation over the coming years:

	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
- Transformation Reserve opening balance	2.9			<b>2.9</b>
- Adults, Wellbeing & Health Partnerships	3.8	0.5	0.0	<b>4.3</b>
- Customer Transformation	3.6	3.1	0.2	<b>6.9</b>
- Data Team	1.0			<b>1.0</b>
- EHCP Timeliness	2.5			<b>2.5</b>
	<b>13.8</b>	<b>3.6</b>	<b>0.2</b>	<b>17.6</b>

- The DSG High Needs Block Deficit position is net of DfE Safety Vave contributions and schools block transfer
- Current legislation requires us to account for the DSG deficit as an unusable reserve, so our statement of accounts records this separately and therefore shows a higher reserves balance of £427.8m at 31/3/24. For budgeting purposes, it is more prudent to show the deficit alongside the offset.
- Explanations of the purposes each reserve is held for is included in the Appendix to this Annex.

	Opening Balance	Forecast Use	Forecast Closing Balance	Re-set 2025/26	Revised Balance 31-Mar-25	Balance to count towards financial resilience £m	Forecast Use 2025/26 £m	Forecast Closing Balance 31-Mar-26 £m	Balance to count towards financial resilience £m
<b>Earmarked Reserves</b>									
Budget Equalisation Reserve:									
- Local Tax Support/Empty Properties	5.9	-1.0	4.9		4.9		-2.0	2.9	
- Agile Office	3.6	-2.8	0.8		0.8		-0.8	0.0	
- Election Costs	-0.2	0.4	0.2	1.8	2.1		-2.1	0.0	
- Workforce Innovation & Mental Health Improvement	11.9	-7.6	4.3		4.3		-3.7	0.6	
- Prior Year c/fs	1.2	-0.4	0.8		0.8		-0.4	0.4	
- Prior Year Commitments	12.1		12.1	-12.1	0.0			0.0	
- Additional verge maintenance				5.0	5.0		-5.0	0.0	
- Collection Fund volatility					0.0		8.0	8.0	8.0
- MySurrey Stabilisation/Optimisation				1.3	1.3		-1.3	0.0	
- Financial Resilience Reserve	39.7		39.7	18.2	57.9	57.9	20.0	77.9	77.9
<b>Total Budget Equalisation Reserve</b>	<b>74.3</b>	<b>-11.5</b>	<b>62.8</b>	<b>14.1</b>	<b>76.9</b>	<b>57.9</b>	<b>12.8</b>	<b>89.8</b>	<b>85.9</b>
Economic Prosperity	11.7		11.7	-11.7	0.0			0.0	
Revolving Investment & Infrastructure Fund	11.1	-3.1	8.0		8.0	8.0		8.0	8.0
Business Rate Appeals	28.6		28.6	-28.6	0.0			0.0	
CFLC Inspection and System Improvements Transformation*	0.1	-0.1	0.0		0.0			0.0	
	0.8	2.1	2.9	14.7	17.6		-13.8	3.8	
Investment Renewals	5.0	-5.0	0.0		0.0			0.0	
Equipment Replacement	1.8	-0.6	1.2		1.2		-0.2	1	
Insurance	8.6	-0.5	8.1		8.1		-0.5	7.6	
Eco Park Sinking Fund	19.5		19.5		19.5			19.5	
Capital Investment	5.4	-0.3	5.1		5.1	5.1		5.1	5.1
Interest Rate	1.6	-8.1	-6.5	6.5	0.0			0.0	
Local Government Reform	0.0		0.0	5.0	5.0		-5.0	0.0	
<b>Total Earmarked Reserves</b>	<b>168.5</b>	<b>-27.1</b>	<b>141.4</b>	<b>0.0</b>	<b>141.4</b>	<b>70.9</b>	<b>-6.7</b>	<b>134.8</b>	<b>98.9</b>
Schools Balances	52.1	-7.1	45.0		45.0		-10.0	35.0	
DSG High Needs Block Deficit	-79.5	-57.0	-136.5		-136.5		-31.0	-167.5	
DSG High Needs Block Offset	144.0		144.0		144.0		0.0	144.0	
<b>SEND &amp; Schools Balances</b>	<b>116.6</b>	<b>-64.1</b>	<b>52.5</b>	<b>0.0</b>	<b>52.5</b>	<b>0.0</b>	<b>-41.0</b>	<b>11.5</b>	<b>0.0</b>
Revenue Grants Unapplied	63.2		63.2		63.2			63.2	
<b>Total Earmarked Reserves</b>	<b>348.3</b>	<b>-91.2</b>	<b>257.1</b>	<b>0.0</b>	<b>257.1</b>	<b>70.9</b>	<b>0.0</b>	<b>63.2</b>	<b>0.0</b>
<b>General Fund Balance</b>	<b>49.1</b>	<b>1.4</b>	<b>50.5</b>	<b>0.0</b>	<b>50.5</b>	<b>50.5</b>	<b>0.0</b>	<b>50.5</b>	<b>50.5</b>
<b>Overall Total</b>	<b>397.4</b>	<b>-89.8</b>	<b>307.6</b>	<b>0.0</b>	<b>307.6</b>	<b>121.4</b>	<b>-47.7</b>	<b>260.0</b>	<b>149.4</b>
% of Net Revenue Budget						10%			12%

**Appendix 1:**

The Council holds reserves for various purposes, as set out below:

- i) **Budget Equalisation Reserve:** This reserve was set up to support future years' revenue budgets from unapplied income, budget carry forwards and prior years' unutilised corporate contingency budgets. It provides overall financial resilience and the ability to 'smooth' one off financial impact. The table above, breaks the Budget Equalisation Reserve down into its component parts, showing the elements ringfenced for specific purposes and the amount available to protect against future uncertainty and provide financial resilience.
- ii) **Revolving Investment & Infrastructure Fund:** This Fund was established in order to provide for the revenue costs of funding infrastructure and investment initiatives that will deliver efficiencies and enhance income in the longer-term. It is also earmarked to cover the risk of potential short-term decreases in investment income from investment properties and/or the Council's subsidiary companies.
- iii) **Transformation Reserve:** This was established to pump-prime projects that required upfront expenditure to deliver service re-design, transformation and deliver future financial efficiencies.
- iv) **Equipment Replacement Reserve:** Enables services to set aside revenue budgets to meet future replacement costs of large equipment items. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases. This reserve is being phased out over the medium-term to ensure consistency in the application of revenue funds for capital across the Council.
- v) **Insurance Reserve:** This reserve holds the balance resulting from a temporary surplus or deficit on the Council's self-insurance fund and is assessed by an actuary for the possible liabilities the Council may face. It specifically holds £4.2m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The balance on this reserve represents the latest assessed possible liability.
- vi) **Eco Park Sinking Fund:** To smooth the impact of the compressed distribution of the contract costs and re-profiling of the PFI credits.
- vii) **Capital Investment Reserve:** To fund revenue costs to pump-prime capital investment.
- viii) **Local Government Reform:** This is a new reserve set up to cover the initial costs associated with implementing potential Local Government Reform in Surrey.
- ix) **DSG & Schools Balances:** This represents unapplied revenue resources accumulated by maintained schools with delegated spending authority. The balance is controlled by schools and is not available to the Council for other purposes. The reserve has also been set aside to fund the deficit on the DSG High Needs Block, in the event that it has to be resourced by the Council.
- x) **Revenue Grants Unapplied:** This reserve holds grants from central government which have been held in reserve as expenditure in relation to the grant has yet to be incurred.

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