

APPENDIX D

Earmarked Reserves : Category 1 - Funding for planned expenditure on projects / programmes over the period of the current MTFS

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2025	2025/26 Contributions / (Use)	2025/26 Transfer between reserves from / (to)	Forecast Balance at 31/3/2026	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk
					2026/27	2027/28	2028/29	2029/30	2030/31	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Earmarked Capital Reserves</u>										
Capital Investment Programme This reserve will be used to partly fund the Authority's approved Asset Management Plan (AMP) which is designed to address operational requirements covering water tenders (fire appliances), other operational equipment and properties. This expenditure will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area. Annual phasing may change to reflect the actual timing of capital projects.	3,602	(2,799)	0	803	(803)	0	0	0	0	0
Asset Management Plan inflation risk reserve This reserve is earmarked to manage inflation risks in relation to the Asset Management Plan. Use of this reserve will be managed on an annual basis and details reported within future MTFS reports. The current forecast AMP inflation risk is £1.267m for the period to 2028/29. Funding of £1.067m had previously been identified and the remaining £0.140m will be provided from the 2025/26 forecast revenue outturn.	1,067	(9)	0	1,058	(429)	(99)	(367)	(163)	0	0
Capital Receipts Unapplied This reserve will be used to partly fund the approved Asset Management Plan.	109	(109)	0	0	0	0	0	0	0	0
Total Earmarked Capital Reserves	4,778	(2,917)	0	1,861	(1,232)	(99)	(367)	(163)	0	0

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	£'000	£'000		£'000	2026/27	2027/28	2028/29	2029/30	2030/31	£'000
					£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves										
Budget Support Fund	2,857	0	0	2,857	(973)	(306)	(491)	0	0	1,087
The reserve was established a number of years ago to help the Authority manage the reintroduction of multi-year Local Government Finance Settlement and the impact of planned reforms to the funding system, which has been delayed. The Government consulted on planned reforms to the funding system over the summer and has now confirmed the changes which are being introduced for 2026/27.										
The planned use of this reserve reflects the recommendations in the current MTFS report and the phasing of the budget deficits. The strategy for using this reserve provides a slightly longer lead time to address these annual deficits if they arise. It is recognised reserves are a finite resource and can only provide temporary support of services whilst a plan to deliver permanent savings is developed and then implemented before the start of 2027/28. This strategy would avoid deferring a budget deficit beyond the current MTFS period. The forecast uncommitted balance of this reserve (£1.087m) is held to manage potential national pay and inflation risks over the next three years. If this amount is not needed for these risks it will be maintained to manage risks to Government grant funding from 2029/30.										
Budget Support Fund - National Pay awards risks	0	240	0	240	(240)	0	0	0	0	0
With inflation continuing to exceed the Bank of England 2% target there will continue to be pressure on national pay awards. If actual national pay awards exceed the MTFS forecast this reserve will be used on a temporary basis to fund increased in-year pay costs, pending permanent budget savings being implemented in the following financial year.										

				Forecast	Planned Use of Reserves	Balance
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	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget Support Fund - Interest income This reserve has been established from temporary investment income achieved before 31/03/25, plus additional investment income earned in 2025/26 and forecast in 2026/27. The approved MTFS is based on using £0.250m per year support to support the budget over the period 2025/26 to 2030/31. The balance at 31/03/25 and forecast net contribution in 2026/27 reflect investment income for these years less annual use of £0.250m.	630	303		933	67	(250)	(250)	(250)	(250)	0
Budget Support Fund	3,487	543	0	4,030	(1,146)	(556)	(741)	(250)	(250)	1,087
Innovation Fund Is earmarked primarily to fund the installation of Fire alarms and this will have a positive impact on community safety.	453	0	0	453	(150)	(150)	(153)	0	0	0
Commissioned Services This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions. The availability of this reserve avoids temporary income reductions having to be funded from the Authority's revenue budget in the year they arise. This therefore protects funding available for front line services. The reserve also enables the Authority to protect staffing resources allocated to undertake these initiatives until alternative external funding can be secured. No future use is shown as the timing of potential income shortfalls is uncertain.	261	0	0	261	0	0	0	0	0	261
Total Earmarked Revenue Reserves	714	0	0	714	(150)	(150)	(153)	0	0	261
Total Earmarked Capital and Revenue Reserves	8,979	(2,374)	0	6,605	(2,528)	(805)	(1,261)	(413)	(250)	1,348

Balance 31 March	4,077	3,272	2,011	1,598	1,348
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