

**ANGUS COUNCIL**

**REVENUE BUDGET 2025/26**

**STATEMENT ON EARMARKED RESERVES**

**1. Background**

The following paper has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's "Guidance Note On Local Authority Reserves And Balances" issued in 2014. This Guidance recommends that a statement reviewing the level of earmarked reserves should be submitted to the annual budget setting meeting of the Council to inform decisions on the level of contributions to be made to/from Council Reserves. Specific commentary on the Council's main General Fund Reserve is given in Report 62/25. The position on the Housing Revenue Account (HRA) balance was outlined in the Rent Setting Report (Report 40/25).

**2. Introduction**

Angus Council holds various earmarked reserves as part of the Council's longer-term financial management strategy. These reserves give the Council a degree of protection from potential risks where insufficient current revenue or capital budget provision may exist.

The earmarked reserves held by the Council are: -

- (a) Renewal and Repair Fund
- (b) Capital Fund
- (c) Insurance Fund

*The above noted earmarked reserves are collectively termed the Council's "Special Funds"*

- (d) Arbroath Harbour Reserve
- (e) Car Parking Reserve
- (f) Devolved School Management

Outlined below is the purpose for which each of these earmarked reserves is held by the Council and detailed in Annex A is: the projected balance on each fund at 1 April 2024; the estimated commitments during 2024/25 based on the currently approved projects; and the consequent projected uncommitted balance at 1 April 2025. Annex A will need to be updated based on decisions to be made at the Special Council meeting.

**3. Purpose of Each Individual Earmarked Reserve**

**3.1 Renewal and Repair Fund**

The Council has a single Renewal & Repair Fund (R&R Fund) to permit the defraying of expenditure which may require to be incurred from time to time in repairing, maintaining, replacing and renewing any buildings, works, equipment or articles belonging to the Council. This is particularly in relation to expenditure of a non-recurring or extraordinary nature with regard to: -

- Works or supplies approved and contracted for in any previous years;
- Approved works or supplies relevant to its purpose;
- Relevant works or supplies necessitated by some contingency and authorised after a full report to the appropriate committee and a recommendation to the Policy & Resources Committee.

Operationally the Council sub-divides the R&R Fund into 4 categories based on the nature of the works involved. This sub-division of the Council's R&R Fund covers:-

- Roads and Transport projects;
- Property projects;
- Information Technology projects;
- Recreation projects which is further sub-divided into Angus Alive and Parks elements

The Council has established individual policies for the above sub categories of the R&R Fund including minimum contingency balances at those levels considered sufficient to ensure that any expenditure of an emergency nature that may arise during the financial year can be addressed.

**The Council is recommended to consider making a one-off contribution to some of the R&R Funds as part of the Proposed Reserve Strategy for 2025/26 to 2028/29, report 62/25 refers.**

It should be noted that the Information Technology R&R Fund has gone below the minimum balance, Annex A refers. It is recommended that this position be left as is and as per the Proposed Reserve Strategy, report 62/25, no further contributions are being proposed to this fund largely because of the shifting nature of IT costs from one-off capital investment to ongoing revenue costs and cloud hosted applications.

### 3.2 Capital Fund

The Capital Fund was established to allow local and corporate issues which are spread over a number of service responsibilities to be focused upon, as well as establishing a contingency provision to help protect the Council's overall budget position against emergency situations etc. which require funding.

Although the introduction of the Prudential Code and the consequent greater flexibility afforded to councils in incurring capital expenditure means the Capital Fund's role in providing for works of an emergency nature is diminished, it remains a useful tool in the management of the capital programme especially where the timing of future capital expenditure is uncertain.

**All of the remaining balance on the Local Capital Fund is committed. No contributions to the Fund are considered necessary for the 2025/26 budget setting.**

### 3.3 Insurance Fund

Angus Council operates an Insurance Fund from which payments are made in respect of: -

- Insurance premiums for property, liabilities and motor;
- All insurable losses under the respective policy excesses;
- The management costs of the insurance function.

These payments are charged on to service revenue budgets where an allowance is made through the annual budget setting process. An Insurance Account requires to address any variance between actual costs and that allowance provided for in service revenue budgets and the annual surplus or deficit on this Account is contributed to / met from the Insurance Fund. It is necessary, therefore, to make periodic contributions to the Fund to ensure that there is a balance sufficient to meet possible calls.

The balance on the Insurance Fund was and will continue to be impacted significantly by the Council's insurance excess costs arising from Storm Babet. Increased insurance premiums remain an area of risk so it is important to have a sufficient balance in the Insurance Fund to be able to temporarily cover such increases in the short term should they arise.

**In light of the above it was agreed in setting the 2024/25 budget to transfer £1 million from the General Fund Reserve to the Insurance Fund (Report 65/24 refers). Work to apportion the insurance excess costs has been undertaken since Storm Babet and this has identified that the Housing Revenue Account is liable for £0.700m of the £1.0m excess based on the estimated claims to be made. This sum will be transferred from the HRA to the Insurance Fund in the 2024/25 Annual Accounts and the balance of £0.300m will be transferred from the General Fund. This £1m total transfer has been reflected in Annex A.**

### 3.4 Car Parking Reserve

The Council maintains a car parking trading account to which all parking income is credited and all trading expenditure charged. The surplus / deficit on the trading account is transferred at the year-end to the Car Parking Reserve. A deficit can only be charged to the Car Parking Reserve for so long as a sufficient uncommitted credit balance is available. Restrictions apply on how the Car Parking Reserve can be used.

From financial year 2018/19 Angus Council began levying car parking charges but due to the COVID-19 pandemic and continued suspension of parking charges there has been no trading account in operation for a number of years. If members decide to lift the suspension of parking charges in setting the 2025/26 budget this would mean the trading account would be in operation in 2025/26 which would impact on the reserve balance at March 2026.

The Car Parking Reserve can be utilised to fund certain types of expenditure in accordance with the terms of the Road Transport Regulation Act 1984. For the 2025/26 budget it is considered prudent to leave the Reserve at its current level.

**In light of the above no contributions to or from the Car Parking Reserve are recommended for the 2025/26 budget setting process.**

### 3.5 Arbroath Harbour Reserve

The Arbroath Harbour Reserve was established by the Council to provide a means to cover extraordinary costs. An annual contribution is made to the Reserve from the operating costs of the harbour, based on 6% of net harbour income received, excluding fuel recharge.

At the Communities Committee 16 January 2018 (report 17/18) it was agreed prudent and reasonable that a minimum level of funding should be held within the Harbour Reserve and this was set at £0.100 million. It was also agreed through this report that a maximum of 40% of the Harbour Reserve, after accounting for the minimum balance of £0.100 million, can be taken out in any one financial year, proposals to exceed the 40% level require committee approval.

The Harbour Reserve has historically only been accessed for undertaking works of an emergency nature. The current balance on this Reserve is low relative to potential repair costs which can arise and in the event of emergency works being required these would need to be funded from other Council budgets.

**No contributions to or from the Arbroath Harbour Reserve are therefore recommended for the 2025/26 budget setting process.**

### 3.6 Devolved School Management Reserve Funds

The Council has adopted a scheme of Devolved School Management (DSM) that devolves a significant proportion of the Education and Lifelong Learning budget to individual schools.

Within the framework of the scheme, each participating school can carry forward up to 3% for primary and 5% for secondary of the devolved budget for use in the following financial year. This is achieved through making contributions to General Fund balances at the financial year-end that are earmarked for the purposes of Devolved School Management.

**It is recommended that members note the projected position on Devolved School Management resources available to schools.**

## **4. Assumptions**

In preparing the figures in Annex A, a number of assumptions have been made with regard to the activity on each earmarked reserve: -

- An estimation has been undertaken of the 2024/25 year end projected outturn;
- Expenditure commitments on Renewal and Repair Fund projects is such that the uncommitted balance on each at 31 March 2025 will be reduced to at or around the policy minimums;
- Expenditure on the Capital Fund is in accordance with that allowed for in the Council's provisional capital budget.