

Report on Analysis of Reserves – Essex LGR – Revised August 2025

Introduction

This report seeks to analyse the reserves positions of the local authorities in Essex and to make some estimate of the potential reserve positions for each of the unitary configurations once the Essex CC reserves have been disaggregated. The Essex CC reserve disaggregation was a separate exercise undertaken by Essex CC and the analysis is contained in the summary spreadsheet attached. The data in the data room is not wholly consistent across the seven years (2023/2024 to 2029/30) as not all authorities have different reserve categories, and not all authorities have presented all years. The 2029/30 year looks low, probably because not all authorities plan that far out. For this reason, the analysis gives summaries for 2025/26 and 2028/29 only to ensure a consistent summary.

The report starts by giving a description of the types of technical reserves that are in place. Some reserves are not “usable” because they are set aside for very specific reasons or are held on behalf of other organisations. These reserves are clearly marked in the statement of accounts although too numerous to list each one in this report. Of the other reserves, some are earmarked for specific purposes (transformation, MRP etc) and are likely to be part of MTFS spending plans. The “un-allocated” or “un-earmarked general fund reserve” is there to ensure there is a buffer between planned spend and unforeseen spend and is a reserve that the external auditors and other scrutineers look to be in place as a financial sustainability measure. The level of this reserve is generally based on a percentage of net or gross budget and more importantly, an analysis of risk. All the new unitary councils will be required to hold a larger unearmarked general reserve reflecting their increased size and risk. The new S151 officers of the unitaries will need to advise on the General Fund Reserve level once the budgets for the new unitaries are put in place.

Executive Summary

The data collection required all authorities to provide to the data room line by line details of all their reserves including HRA reserves (which are ring fenced). These are itemised in detail in the annual accounts.

The summary shows that in total there are just over £1bn of reserves in the Essex system in 2025/26, this reduces to £943m in 2028/29 which is the vesting year. Many of these reserves are unusable because:

- They are ringfenced (DSG, HRA)
- They are held on behalf of other bodies
- They are held against PFI, MRP payments or for future budget smoothing (waste etc)
- They are being used in MTFS plans to set off budget gaps.

For the purposes of this report, we have not tried to disaggregate usable and unusable reserves as this would require significant amounts of detailed work. We have however deducted HRA reserves from the unitary analysis as they are ringfenced to those authorities with HRA's.

Types of Reserves

1. General Fund Reserves

These are the main reserves held by local authorities and include:

- General Fund **Unallocated** Reserves (sometimes called un-earmarked): Held to cushion the impact of unexpected events or emergencies. Can be used for any legal purpose but typically only in exceptional circumstances. Used by auditors to test sustainability
- General Fund **Earmarked** Reserves: Set aside for specific policy purposes or future liabilities. Examples include Insurance Reserve, Transformation Reserve, Business Rates Equalisation Reserve, Capital Reserves (where revenue is used to fund capital), Pension Reserve, and Service-Specific Reserves.

An example of an earmarked general fund reserve would be the waste reserve. The funding for waste under the current funding regime, especially where there are PFI arrangements coming to an end, means that at some given point in the future (in the 2030's mostly) there is a funding cliff edge which is so big that no authority will be able to fund the gap in one go. Most waste authorities will be setting aside reserves to cover the cliff edge risk. So whilst it may look like there is a large unused reserve, it will be there to cover a very specific future risk.

2. Housing Revenue Account (HRA) Reserves

These reserves are specific to council housing services and must be ring-fenced:

- HRA Working Balance: General contingency for housing services.
- Major Repairs Reserve: For maintaining and improving housing stock.
- Other HRA Reserves: May include reserves for decanting, buy-backs, and attributable debt.

3. Capital Reserves

Used to fund future capital expenditure:

- Capital Receipts Reserve: Proceeds from asset sales, used to fund capital expenditure.
- Capital Grants Unapplied: Grants received but not yet used.
- Major Repairs Reserve (Capital): Used for capital improvements to assets (outside of the HRA).

4. Dedicated Schools Grant (DSG) and School Reserves

These reserves relate to Dedicated Schools Grant (DSG) and individual school balances:

- DSG Reserve: Must be used in accordance with education funding regulations.
- School Balances: Held by individual schools, often ring-fenced for specific educational purposes.
- DSG override reserve: This reserve has been put in place to comply with the government issuing of a "DSG statutory override", see note below.

Note: The DSG (Dedicated Schools Grant) statutory override is a temporary measure allowing local authorities in England to create deficit reserves and essentially exclude these deficits related to Special Educational Needs and Disabilities (SEND) (part of the ringfenced DSG) from their main revenue budgets. This means that these deficits don't immediately impact the council's overall financial health, preventing potential insolvency. The override was initially in place until 2020/21, 2021/22, and 2022/23, but has been extended and is currently set to expire at the end of March 2028. Although the government are suggesting that these deficits would not impact overall financial health, external auditors have been red rag rating authorities that do not have reserve levels available to cover the deficit believing that the risk of the government not funding these deficits in the future to be too great.

For more information on DSG overrides see <https://www.local.gov.uk/parliament/briefings-and-responses/westminster-hall-debate-dedicated-schools-grant-23-april-2025>

This is a major risk to the financial health of the new unitary authorities. Essex CC's DSG deficit is estimated to be £230m by 2028/29 however there is more work to do on the level of the deficit across the three current unitaries. They have not been disaggregated.

Summary of Total Reserves Positions

The total reserve positions for each authority between 2023/24 and 2029/30 have been collected and the whole data collection with details of each line can be found in this spreadsheet ([Reserves forecast.xlsx](#)) with tabs for each authority and a summary sheet.

There are data differences that need to be acknowledged.

- Not all authorities were able to give data for 7 years and some assumptions have been made

- Not all authorities have HRA's therefore no HRA reserves available.
- Only unitaries (Essex, Southend, Thurrock) have DSG reserves
- Capital reserves can be either purely capital (capital grants, capital receipts etc) or maybe revenue contributions to capital – there has been some interpretation of those – most are revenue reserves for capital purposes
- There are some detailed anomalies which will need to be sorted out nearer vesting
- Forecasts from 2026/27 onwards are formally part of each authorities MTFs/P where decisions have been made by the incumbent Councils. The new unitaries would need to consider their financial positions through the shadow year to enable budget setting on vesting.

Summary of Districts and Unitaries Reserves (exc Essex CC)

The table below shows a summary of all of the Essex authority reserves excluding Essex CC.

Table showing Districts and Unitaries Reserves (from summary info of reserves in data room)

Note: The year 2030 looks low and has been discounted from the analysis to ensure consistency. HRA reserves are only available for 2026-2029.

	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029	31/03/2030
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Total GF Unearmarked Reserves	50,638	75,043	81,647	80,900	80,031	74,123	20,690
Total GF Earmarked Reserves	243,937	273,603	281,815	256,170	249,819	250,754	95,409
Total General & Earmarked Reserves	294,575	348,646	363,462	337,070	329,850	230,362	116,099
Total HRA Reserves	100,090	111,277	68,416	76,186	84,144	84,604	74,822
Total Capital Reserves	83,078	115,279	76,978	78,588	81,936	85,714	88,155
Total Reserves	477,743	575,202	508,856	491,844	495,930	500,680	279,076
Reserves less HRA			440,440	415,658	411,786	416,076	

In reality, the **HRA, DSG and Schools Balances** are ring fenced and are irrelevant in the LGR context. They will be aggregated as per the LGR models as they stand.

Capital reserves, including revenue contributions to capital, will be in place to pay for capital programmes with longer term strategies and plans. Reserves are likely to be linked to capital grant holding or borrowing repayment strategies therefore will need to be in place until there is a new capital strategy for the new unitaries agreed.

Disaggregation of Essex CC Reserves

The most sensible basis for distribution of the Essex CC reserves is the net expenditure % in each of the years. There are some reserves that are held for instance Waste PFI smoothing, Children's and Adults reserves where a different basis has been used. The details of the allocation of each of the reserves can be found in the "ECC workings" tab of the [UA Models.xlsx](#) spreadsheet. The bases for each reserve distribution will be evaluated as part of the overall validation process. Below shows a summary table of the CC reserves which are significant being a large county authority.

Table showing Essex CC Reserves (from ECC disaggregation report)

	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029
	£000's	£000's	£000's	£000's	£000's
GF Unallocated Reserves					
ECC	68,092	68,092	68,092	68,092	68,092
GF Earmarked Reserves					
ECC	545,022	525,544	494,255	476,760	467,063
Total ECC Reserves	613,114	593,636	562,347	544,852	535,155

Summary of the Unitary Models

The table below acts as a reminder to which configuration of authorities are in which model and has formed the basis of the reserve distribution.

Essex LGR Models in one table 24-07-2025																	
Authorities	Populations	3 Model			5 Model					4 Model (Thurrock)				4 Model (Rochford)			
		Unit 1	Unit 2	Unit 3	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	W Essex	N Essex	E Essex	S Essex	Rf 1	Rf 2	RF 3	RF4
Basildon	190,544			□				□					□				□
Braintree	159,957	□				□					□				□		
Brentwood	78,152		□				□			□						□	
Castlepoint	89,858			□					□				□				□
Chelmsford	185,278		□				□				□					□	
Colchester	196,998	□				□						□			□		
Epping Forest	135,975		□		□					□				□			
Harlow	96,040		□		□					□				□			
Maldon	68,327		□				□					□				□	
Rochford	88,188			□					□				□			□	
Southend	182,271			□					□				□				□
Tendring	153,207	□				□						□			□		
Thurrock	178,201			□				□		□							□
Uttlesford	93,594	□			□						□			□			
	1,896,590	603,756	563,772	729,062	325,609	510,162	331,757	368,745	360,317	488,368	438,829	418,532	550,861	325,609	510,162	419,945	640,874

3 Model reserves distribution

The model below allocates the Essex CC reserves into the 3 unitary areas. The detail can be found in the “3 model” tab on the [UA Models.xlsx](#) spreadsheet.

3 Model Reserves Positions for 2025/26 and 2028/29

	31/03/2026	31/03/2029
	£000's	£000's
Total Reserves (less HRA)		
Unitary 1		
Braintree	34,470	28,528
Colchester	27,285	27,844
Tendring	19,494	15,662
Uttlesford	20,025	21,732
Total Non ECC	101,274	93,766
ECC add	267,439	211,921
Total Unitary	368,713	305,687
Unitary 2		
Brentwood	13,572	12,808
Epping Forest	10,002	5,804
Harlow	28,660	20,829
Maldon	17,224	16,531
Chelmsford	23,736	20,529
Total Non ECC	93,194	76,501
ECC add	235,083	188,115
Total Unitary	328,277	264,616
Unitary 3		
Basildon	18,647	15,275
Castlepoint	21,952	19,781
Rochford	14,673	10,270
Southend	130,175	139,958
Thurrock	60,525	60,525
Total Non ECC	245,972	226,028
ECC add	158,126	126,892
Total Unitary	404,098	372,701
Total Reserves Non ECC	440,440	416,076
Total Reserves (ECC)	660,648	526,927
Total Reserves	1,101,088	943,003

5 Model reserves distribution

The model below allocates the Essex CC reserves into the 5 unitary areas. The detail can be found in the “5 model” tab on the [UA Models.xlsx](#) spreadsheet.

5 Model Reserves Positions for 2025/26 and 2028/29

	31/03/2026	31/03/2029
£000's	£000's	£000's
Total Reserves (less HRA)		
Unitary 1		
Epping Forest	10,002	5,804
Harlow	28,660	20,829
Uttlesford	20,025	21,732
Total Non ECC	58,687	31,536
ECC add	133,781	106,615
Total Unitary 1	192,468	154,980
Unitary 2		
Braintree	34,470	28,528
Colchester	27,285	27,844
Tendring	19,494	15,662
Total Non ECC	81,249	72,034
ECC add	229,569	181,780
Total Unitary 2	310,818	253,814
Unitary 3		
Brentwood	13,572	12,808
Chelmsford	23,736	20,529
Maldon	17,224	16,531
Total Non ECC	54,532	49,868
ECC add	139,173	111,641
Total Unitary 3	193,705	161,509
Unitary 4		
Basildon	18,647	15,275
Thurrock	60,525	60,525
Total Non ECC	79,172	75,800
ECC add	85,982	68,850
Total Unitary 4	165,154	144,650
Unitary 5		
Castlepoint	21,952	19,781
Rochford	14,673	10,270
Southend	130,175	139,958
Total Non ECC	166,800	150,228
ECC add	72,144	58,042
Total Unitary 5	238,944	228,051
Total Reserves Non ECC	440,440	416,076
Total Reserves (ECC)	660,648	526,927
Total Reserves	1,101,088	943,003

4 Model (Thurrock) reserves distribution

The model below allocates the Essex CC reserves into the 4 unitary (Thurrock) areas. The detail can be found in the “4 model (Thk)” tab on the [UA Models.xlsx](#) spreadsheet.

4 Model (Thurrock) Reserves Positions for 2025/26 and 2028/29

	31/03/2026	31/03/2029
	£000's	£000's
Total Reserves (less HRA)		
West Essex		
Brentwood	13,572	12,808
Epping Forest	10,002	5,804
Harlow	28,660	20,829
Thurrock	60,525	60,525
Total Non ECC	112,759	83,137
ECC add	126,904	101,297
Total West Essex	239,663	201,263
North Essex		
Braintree	34,470	28,528
Chelmsford	23,736	20,529
Uttlesford	20,025	21,732
Total Non ECC	78,231	70,789
ECC add	185,138	147,955
Total North Essex	263,369	218,744
East Essex		
Colchester	27,285	27,844
Maldon	17,224	16,531
Tendring	19,494	15,662
Total Non ECC	64,003	60,037
ECC add	190,482	150,784
Total East Essex	254,485	210,821
South Essex		
Basildon	18,647	15,275
Castle Point	21,952	19,781
Rochford	14,673	10,270
Southend	130,175	139,958
Total Non ECC	185,447	165,503
ECC add	158,126	126,892
Total South Essex	343,573	312,176
Total Reserves Non ECC	440,440	416,076
Total Reserves (ECC)	660,648	526,927
Total Reserves	1,101,088	943,003

4 Model (Rochford) reserves distribution

The model below allocates the Essex CC reserves into the 4 unitary (Rochford) areas. The detail can be found in the “4 model (Rofd)” tab on the [UA Models.xlsx](#) spreadsheet.

4 Model (Rochford) Reserves Positions for 2025/26 and 2028/29

	31/03/2026	31/03/2029
	£000's	£000's
Total Reserves (less HRA)		
RF 1		
Epping Forest	10,002	5,804
Harlow	28,660	20,829
Uttlesford	20,025	21,732
Total Non ECC	58,687	31,536
ECC add	133,781	106,615
Total RF 1	192,468	154,980
RF 2		
Braintree	34,470	28,528
Colchester	27,285	27,844
Tendring	19,494	15,662
Total Non ECC	81,249	72,034
ECC add	229,569	181,780
Total RF 2	310,818	253,814
RF 3		
Brentwood	13,572	12,808
Chelmsford	23,736	20,529
Maldon	17,224	16,531
Rochford	14,673	10,270
Total Non ECC	69,205	60,138
ECC add	169,298	135,853
Total RF 3	238,503	195,991
RF 4		
Basildon	18,647	15,275
Castle Point	21,952	19,781
Southend	130,175	139,958
Thurrock	60,525	60,525
Total Non ECC	231,299	215,758
ECC add	128,001	102,680
Total RF 4	359,300	338,219
 Total Reserves Non ECC	 440,440	 416,076
Total Reserves (ECC)	660,648	526,927
Total Reserves	1,101,088	943,003