

RESERVES POLICY 2023/24

General Fund

The level of the General Fund would ordinarily reflect the overall financial environment and the key financial risks faced by the County Council. The amount held will be reviewed at least annually. Any funds in excess of the assessed amount will in the first instance be used to fund one off expenditure (capital and revenue including invest to save and pump priming initiatives) and secondly to support recurring revenue expenditure over the medium term, subject to the key consideration of sustainability.

Holding non earmarked funds is an essential component of risk management in that it enables the County Council to manage unforeseen financial events without the need to make immediate offsetting savings. This allows better decisions to be made and reduces the impact this could have on users of County Council services.

Based on an assessment of risk, the target level for the General Fund is within the range of 4% to 7% of net expenditure (excluding schools). The forecast balance of £23m (4.2%), by the end of the MTFS is within that range but towards the bottom reflecting the tighter financial pressures of the Council.

In reviewing the level of the General Fund the Cabinet will take advice from the Director of Corporate Resources.

Earmarked Reserves

Earmarked reserves are traditionally held for six main reasons. The key factors that determine their level are set out below:

- Insurance earmarked reserves – to meet the estimated cost of future claims not covered by insurance policies.
- Renewals – to enable services to plan an effective programme of systems, equipment and vehicle replacement. These earmarked reserves are a mechanism to allow a sensible replacement programme, that can vary in size from one year to the next depending upon need, without the requirement to vary annual budgets.
- Trading accounts and wholly grant funded services - in some instance surpluses in excess of the budgeted level are retained by the service for future investment.
- Other earmarked reserves will be set up from time to time to meet predicted liabilities or unforeseen issues that arise.
- Support one off costs to enable transformational and departmental change.
- Meet commitments made that will be incurred in the future. Examples include; completion of projects, County Council contributions to partnership funding, commitments in the MTFS such as the Capital Programme.

Reserves are not suitable for on-going service commitments.

Given the increased financial pressures, a range of measures are in place as set out below.

- Departments are to identify specific and potential need for planned expenditure to be funded from reserves. Where approved these will be held centrally as earmarked funds.
- After allowing for this, general departmental reserves above a minimum allowance allowing departments to manage day to day, smaller essential interventions etc, will be centralised.
 - A&C £250,000
 - CFS £250,000
 - E&T £250,000
 - CR £100,000
 - CE £50,000
 - PH £50,000
- The above limits will be reviewed annually as part of the new MTFS.
- All reserves above this amount to be brought into the general fund
- Trading surpluses, over and above what is built into service budgets, will be brought back into central control – services impacted can request funding to support specific investments along with other services.
- All reserves set aside for asset renewals will be managed centrally based on consideration of regular departmental submissions
- Schools and partnership reserves are treated outside of the above measures but a clear plan of purpose for each reserve is required to be produced

The Director of Corporate Resources has the authority to take decisions relating to the creation and management of earmarked reserves.

Schools Earmarked Funds

Schools balances are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. Decisions on these funds are taken by individual schools.

Monitoring Policy

The level of earmarked reserves and balances are monitored regularly throughout the year. Reports will be taken to members as part of the MTFS and at year end.

Grant Thornton UK LLP, the County Council's external auditor, has reviewed the level of earmarked reserves held by the County Council in respect of financial sustainability as part of its value for money review of 2021/22. They reported that they are satisfied that the Council had appropriate arrangements in place to manage the financial risks it faced with regard to medium term financial planning during 2021/22.