

Reserves policy 2020/21 to 2024/25

1. Reserves can be classed as general reserve or earmarked reserves and they represent funds that are not part of the normal recurring budget but are distinct “pots” of finite funds.
2. The level of reserves is a key component of a robust and prudent medium-term financial strategy ensuring that funds are set aside for specific purposes or can be called upon to provide a buffer in the event of any unforeseen financial pressure. They are in effect the “shock absorbers” of the council’s finances and are the last line of defence to ensure resilience.
3. The council has a statutory duty under the Local Government Finance Act 1972 to determine the level of General Fund balances and reserves it maintains before it decides on the level of council tax. The level of balances should be based on the council’s own specific circumstances taking into account the risk exposure of the Council.
4. General reserves are set aside to provide an emergency fund for exceptional circumstances. This fund has been reviewed and assessed as having a minimum requirement of £12m. This money is set aside as a fund of last resort when all other reserves or budgets have been depleted. Currently, the council has some £17m in this reserve.
5. Other earmarked reserves are held for specific purposes. Some reserves such as dedicated schools grant are held for statutory purposes outside the direct control of the Council. Other non-ringfenced reserves are held for strategic purposes or to support operational delivery of services. For us, the key strategic reserve is the budget support reserve, which is intended to even out fluctuations year on year in the council financial performance. The use of this reserve is overseen by the CFO.
6. The day to day running of operational reserves is managed by the relevant budget holder under council delegation arrangements. These cover a wide range of activity – from elections, to replacing IT, to having an insurance fund.
7. Reserves should not be used to pay for continuing expenditure but are available as funding for one off items, invest to save initiatives or to provide time-limited support to manage transition.
8. As part of the Council’s review of risk and recognising the increasing commercial environment the Council is operating within, an additional investment risk reserve has been created.
9. The forward forecast of reserves is maintained by the CFO. There are exceptional budget pressures emerging during 2020/21 as a result of the COVID-19 pandemic which may require the Council to utilise a significant amount of reserves to mitigate the emerging financial pressures. Where earmarked reserves are utilised to fund this one-off financial shock, they will be replenished in future financial years if the Government do not fund these pressures in full in 2020/21. The Council anticipates the general fund balance being maintained at a minimum of £12m.