

Reserves Policy

The recommended reserves policy is as follows:

The risk assessment of the budget dictates the minimum level of general balances required.

The first call on any under spend at the end of the year will be to fund the one off cost to transition. A contribution to general balances will then be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.

The rationale for this policy is set out below.

Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditor, it is not their responsibility to prescribe the appropriate level.

It is good practice for a risk assessment to be carried out to determine the level of reserves and the External Auditor expects the Council to review its reserves on an annual basis.

The risk assessment above shows that the total risk identified has been quantified at £10m for 2016/17 after allowing for the contingency. However, the appropriate level of reserves for a council to hold is extremely subjective. It is important to find a balance between being at risk of wiping out all reserves in a single bad year and having excessive reserves and thereby wasting taxpayer's money.

The Council should at least be able to cope with a modest overspend in any one year and still be in a stable financial position.

The target level of reserves depends on:

- The degree of risk contained in the budget
- The effectiveness of budget monitoring during the year
- The effectiveness of balance sheet management during the year
- The extent to which the Council has earmarked reserves and provisions to deal with specific items

The Council is continually working to improve financial management and in 2016/17 will continue to focus on accurate and robust management of its revenue and capital monitoring and, considering the level of savings built into the budget, an increased emphasis will be placed on the delivery of in-year savings and the delivery of new savings proposals.

The Council has built up more appropriate annual contributions to provisions for debt, litigation and insurance in the last few years, and strengthened its balance sheet, but still has limited earmarked reserves.

There is greater risk as central government grant settlements continue to reduce the level of revenue support grant given to the Authority requiring large savings to be built into the budget over a prolonged and continuous period of time.

Taking all this together, the target level for reserves should be £10 - £12.5m.

As at 31 March 2016 the level of General Fund Reserves was £10m, which is within the recommended minimum level and the Authority holds a number of reserves and provisions as detailed in Appendix 10.

A decision will be made at year end on the best use of any available capacity.