

Reserves Policy

The recommended reserves policy is as follows:

The first call on any under spend at the end of the year will be to add to reserves. 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. However, the External Auditor expects the Council to review its reserves on an annual basis.

There is no statutory definition of a minimum level of reserves. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding these balances.

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 and control 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 2022/23 will continue to focus on accurate and robust management of its revenue budget, capital programme and trading activities. Considering the recommendation to use £14.7m from the Budget Planning Reserve MTFs to balance the 2022/23 budget, there will be an increased emphasis on delivering the 2022/23 budget, at a minimum, to a balanced position but ideally an underspend. And to developing a robust financial strategy to address the predicted MTFs shortfall of £16.593m ready for presentation to the incoming administration in May 2022.

The Council has built up more appropriate annual contributions to provisions including for debt, litigation, vehicles and investment properties in the last few years, and strengthened its balance sheet which does enable the use of one off reserves to balance the 2022/23 budget, but this does leave the Council with very limited earmarked reserves and general fund balances.

There is greater risk as the one off use of reserves in 2022/23 needs to be reversed out in the following year meaning the MTFs is predicting a budget shortfall of £16.593m which requires the development of a robust strategy to achieve financial

sustainability over a relatively short period of time supported by a minimal balance of reserves.

As at 31 March 2022 the level of General Fund Reserve will be £10m, which represents 5.6% of the Council's net revenue budget for 2021/22 (£180m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves as detailed in Appendix 9.

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

The S151 officer has responsibility for the establishment of earmarked reserves. The S151 officer is responsible for ensuring that detailed controls are established for the creation of new reserves and provisions and any disbursements therefrom.

All contributions to, and appropriations from, General Fund reserves must be approved by the Portfolio Holder with Responsibility for Finance, subject to any limitations set by the Council in the approved budget framework.