

## **Reserves Policy Appendix 9**

### **Introduction**

The Local Government Act 2003 requires the Chief Finance Officer (section 151 officer) to report on the adequacy of reserves and provisions, and the robustness of budget estimates, as part of the annual budget setting process.

There is a broad range within which a council might reasonably operate, depending on its particular circumstances and each council should make its own judgement, based on the advice of its Chief Finance Officer. In making this decision the Chief Finance Officer takes account of strategic, operational and financial risks.

CIPFA best practice guidance suggests that a Council should hold a strategic reserve to mitigate the financial impact of major events of between 3% and 5% of its net budget. This guidance has been adopted by the Chief Finance Officer for the period of the current MTFP.

### **Adequacy of Proposed Financial Reserves and Robustness of Estimates**

The Chief Finance Officer must ensure that the budget setting process, and the information provided is sufficient, to allow council to come to an informed view regarding the 2018/19 council tax requirement, revenue budget, capital programme and Treasury Management Strategy.

While the council continues to operate within the financial constraints arising from increasing financial pressures and reductions in central government financial settlements, robust budget monitoring and a thorough financial planning process should determine the required level of reserves. The level of reserves will be reviewed at each quarter end as part of the council's budget monitoring reports.

Financial and operational risks need to be considered within the context of the Council's overall approach to risk manage and account taken of key budget assumptions and existing financial management arrangements.

The council's financial planning process should be sufficient to identify issues with a significant financial impact in order for these to be highlighted to senior officers in a timely manner.

An annual review of the council's reserves and balances is undertaken as part of the annual financial planning exercise and as part of the Council's preparation of its annual Statement of Accounts. The level of reserves appears adequate for the forthcoming financial year and financial planning period through the continuing commitment to manage service expenditure within approved budgets.

The Council makes appropriate financial provisions for known future liabilities or losses of uncertain timings or amount which are detailed in the annual Statement of Accounts. The 2016/17 Statement was approved by the Audit and Accounts Committee on 19 December 2017.

## **Review of Reserves**

The overall reserves of the Council will be subject to detailed review at the end of each financial year as part of the preparation for the production of the Council's statement of accounts, and as part of the council's annual budget setting process to ensure reserves are:-

- Relevant,
- Appropriate, and
- Prudent

The Chief Finance Officer will ensure that the council has in place well established robust and regular budget monitoring processes. These take account of the current level of reserves, the latest budget requirements calling on reserves to meet current commitments and to make contributions to reserves to meet future commitments.

The Chief Finance Officer must consider strategic, operational and financial risks in assessing the adequacy of the council's reserves position.

## **Use of Reserves**

Approval to use or make contributions to reserves is provided by the Chief Finance Officer, as part of the regular budgetary process, in discussion with the Chief Executive and the Cabinet.

Movements in reserves will be reported to Cabinet as part of the quarterly budget monitoring report and in the Financial Outturn Statement at the end of the financial year.

## **Conclusion**

The Chief Finance Officer is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The council's strategic reserve is maintained between 3% - 5% of the net budget requirement, at the end of March 2017 the balance was £8.7m (4% of net budget) and is recommended be increased to 5% to reflect the specific budget risks included in the revenue budget.

This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities, and that the council's approach to general balances for 2018/19 is deemed appropriate. The level of reserves and expected movement in reserves are set out in the MTFS as part of the annual budget setting process.