

Reserves Policy and Specific Reserves held to support the 2021/22 Budget

The Council continues to deliver improved services at a time when the finances of local government continue to be under pressure. The pace of change at the Council, the global pandemic and the scale of savings being delivered bring with them risks in relation to the Council's capacity to deliver the planned stepped changes. These risks are both in relation to the complexity of some of the changes required to deliver the ongoing budget savings, the capacity to deliver those along with the potential need for funds to pump-prime work on future changes. The Council is managing these risks using a number of means:

Risk Assessment

Each of the savings proposals put forward as part of the Budget setting cycle has been individually risk assessed against a number of factors, namely:

- Impact on service
- Complexity of implementation
- Impact on equalities
- Contribution to strategic plans

Reserves and Contingencies

It is recommended that the minimum level of General Reserves the Council needs to hold to support the 2021/22 Budget is £7.2m, whilst aiming to gradually increase that figure over the medium term. The Corporate Director of Finance and Assets advises that this is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £1.5m.

Alongside the General Reserve, the Council is holding a number of specific reserves to support key risks and future commitments. These have been established following a thorough review of risks and needs.

By the start of 2021/22, the Council expects to be holding around £45.7m of reserves, of which £33m is earmarked to support the General Fund. Decisions to fund on-going revenue expenditure from reserves, other than on a transitional basis, increases the level of risk within the annual budget and make future years' budgets increasingly unsustainable.

The £45.7m reserves expected to be held in 2021/22 is summarised below:

General Fund (£33m)

- **£2.4m** relates to the PFI equalisation reserve. This reserve fluctuates depending on the yearly cash flows of the PFI and will be fully depleted by the end of the project's life.
- **£0.6m** relates to infrastructure and regeneration funding. This is fully allocated for feasibility works and commitments.
- **£17.7m** of general 'cash flowing' reserves to fund programmes of work to deliver future years' budgets and manage budget pressures and risks.

- **£12.3m** of service specific reserves set out below:

Insurance Fund	£1.2m	This fund is set at an industry standard level of covering twice the aggregate excess liability in any financial year. The level of reserve is reviewed annually based on an assessment of claims, both past and future.
Collection Fund Reserve	£3.7m	Specific reserve to mitigate the adverse impact of COVID-19 on the collection fund
Other	£7.4m	A number of smaller service-specific reserves often financed from external funding or earmarked for committed projects

Other Funds (£12.7m)

- **£0.2m** net deficit on Schools balances representing the combined total of all individual schools' rolled-forward balances of £4m and the non-schools retained DSG reserve deficit of £4.2m.
- **£12.9m** of HRA Balances comprising the HRA minimum working balance (£4m), the general reserve (£7.7m) and specific reserves (£1.2m).