

Review of Earmarked Reserves and General Balances

Introduction

1. There are two types of reserves included on the Council's balance sheet:

	Value at 31/03/17 £m
General Balances	12.0
Earmarked Reserves – Directorate c/fwd's	91.5
Revenue Grants unapplied	6.9
	<u>110.4</u>

2. Reserves can be considered to be cash in the bank. They are not annual budgets; they represent a sum of money that can only be spent once.
3. Members will be aware that there is a statutory obligation on the Chief Financial Officer to report on the adequacy of reserves when the County Council approves the budget and level of council tax.

General Balances

4. The Council's General Balances are a contingency sum available to pay for unforeseen or exceptional circumstances. External auditors often refer to the level of general balances when considering an organisation's financial health.
5. General Balances were £12.0m at 31 March 2017 and a year ago was £13.0m at 31 March 2016.

Earmarked Reserves

6. All earmarked reserves are retained either under the delegated authority given to Chief Officers in the Financial Regulations or by Cabinet or Cabinet Member approval and at 31 March 2017 were as follows:

	Value at 31/03/17 £m
Schools delegated reserves	13.2
Dedicated Schools Grant carried forward	8.8
Future Capital Investment reserve	4.4
Waste Services reserve	10.1
Other PFI reserves	2.5
Insurance reserves	7.1
Growing Places	3.6
Directorate Revenue Reserves	9.6
Public Health	4.9
Councillors' Divisional Fund	1.2
Other Reserves	26.1
	<u>91.5</u>

7. Schools balances are controlled by the schools and their Governing Bodies and any surplus or deficit may be carried forward in accordance with the Council's scheme for financing schools.
8. Reserves for future capital investment and PFI schemes have been earmarked for use over the medium term.
9. The insurance reserve will be used to meet liabilities not covered by insurance policies. The level of the reserve is kept under constant review and to inform this judgement the Council seeks independent advice periodically.
10. The Council's Financial Regulations gives authority for each Chief Officer to jointly approve with the Chief Financial Officer the carry forward of up to 2% of their budget to the following financial year. There is also an additional flexibility limited to £100,000 for particular value for money initiatives.
11. Revenue grants with no attached conditions unused at year end are held in the revenue grants unapplied earmarked reserve and totalled £6.9 million at 31 March 2017.
12. The Earmarked Reserves are committed to be spent over the short to medium term.
13. The Chief Financial Officer considers the value of reserves to be adequate to support strategic financial planning.