

## **Report to Audit Committee**

# **Reserves Policy for 2018/19 to 2019/20**

**Portfolio Holder:** Cllr A Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

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### **Reason for Decision**

The purpose of this report is to brief Members of this Committee on the proposed Reserves Policy of the Council for the financial years 2018/19 to 2019/20 and incorporate any views into the final policy.

### **Executive Summary**

From the financial year 2014/15, the Council developed a strategic approach to the creation and maintenance of reserves through the development of a Reserves Policy. The presentation of the Policy to the Audit Committee introduced improved transparency into this process which had previously been managed at the discretion of the Chief Financial Officer when the closure of the Final Accounts was undertaken.

There have been several reports issued by the National Audit Office (NAO) on the subject of financial resilience within Local Authorities alongside a recent proposal by the Chartered Institute of Public Finance & Accountancy (CIPFA) for a Local Authority Financial Resilience Index. These issues have largely been prompted by the risk of financial failure at Northamptonshire County Council during 2018.

The Policy is presented to the Audit Committee to review and also provide assurance that the Council manages its reserves effectively.

The Reserves Policy is attached at Appendix 1 and presents the Council's strategic approach to the creation and maintenance of reserves.

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## **Recommendations**

That Members of the Audit Committee review the Reserves Policy for 2018/19 to 2019/20 and advise the Council on its suitability from a governance perspective.

**Reserves Policy for 2018/19 to 2019/20****1 Background**

- 1.1 There is a need to have a strategic approach to the creation and maintenance of the earmarked reserves by the Authority. This is because resources are becoming even more scarce and any money set aside needs to both support the priorities of the Council and prevent unforeseen expenditure/events impacting on year on year budgets.
- 1.2 The level of reserves maintained by Local Authorities collectively has in the past attracted comment from the former Secretary of State for the Department of Communities and Local Government (now Ministry for Housing, Communities and Local Government) indicating they are excessive.
- 1.3 In December 2012, the Audit Commission produced a report into their research on the level of reserves held by Councils. The report, whilst produced a number of years ago, set out sound advice and recognised that there is no set formula for deciding what level of reserves is appropriate. It stated that having the right level of reserves was important and where reserves were low there could be very little resilience to financial shocks and sustained financial challenges. It also stated that where reserves are high, there is a risk that some Councils may retain certain funding which could otherwise be utilised as a one-off to address challenging savings targets and provide the time for transformation to deliver permanent financial savings.
- 1.4 One conclusion from the Audit Commission report was that Councils needed to consider their present decision making around reserves in a number of areas:
- Undertaking an annual review to ensure reserves align with Medium Term Financial Plans.
  - Having clarity about what earmarked reserves are for.
  - Ensuring earmarked reserves held to mitigate financial risk reflect an up to date assessment of risk.
  - Monitoring the level and use of reserves over recent years, and comparing the Council's approach to other organisations facing similar circumstances.
  - Budget monitoring and forecasting to give Elected Members greater awareness of likely year-end movements on reserves.
  - Ensuring significant or unexpected variations to budget are dealt with.
- 1.5 Members can be assured that the Council already meets the criteria detailed above through the regular review of reserves, the Revenue Budget Monitoring reports presented to Cabinet, the Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments Report presented alongside the Revenue Budget Report to Council and the production of an annual Reserves Policy.
- 1.6 In July 2018, CIPFA launched a consultation on its proposal to publish an annual index of financial resilience for English Councils based on six indicators. The initiative is driven by CIPFA's desire to support the Local Government sector as it faces a continued financial challenge. It was proposed that the index would be based on publically available information and provide an assessment on the financial health of each English Council. In December 2018, CIPFA issued the response to this consultation. The index is currently in development but CIPFA proposes 15 indicators within the index, including the following in relation to reserves:

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- Reserves depletion time;
  - Level of reserves;
  - Percentage change in reserves.

CIPFA considers it important to support Chief Finance Officers in providing information to assist in the context of financial health and resilience. It is anticipated that the finalised index will be available to support the 2020/21 budget process.

- 1.7 Members of the Audit Committee will also be aware of the recent BBC report detailing 11 Local Authorities which, based on the depletion of reserves over recent years, are projected to use all of their reserves within the next four years if they cannot be topped up. Of these Local Authorities, Northamptonshire County Council has reduced reserves by 91% between 2015 and 2018, with Somerset County Council reducing its reserves by 73% for the same period. This clearly highlights the link between level of reserves and the financial sustainability of Local Authorities as both Northamptonshire and Somerset County Councils have financial challenges which have received considerable media attention.
- 1.8 As shown above, the level of Local Authority reserves is a key issue when discussing the funding of Council services and it is therefore considered appropriate to present this Reserves Policy for scrutiny by the Audit Committee.

## **2 Reserves Policy for 2018/19 to 2019/20**

- 2.1 The 2018/19 to 2019/20 reserves policy has been prepared, following the finalisation of the financial position at the end of 2018/19 and after a risk-based review by the Director of Finance having regard to Corporate Priorities. There are 15 major earmarked reserves included in the Policy (to align to the presentation of reserves in the Statement of Accounts which is elsewhere on the agenda). As can be seen from the Statement of Accounts, Revenue Account Earmarked Reserves at the end of 2018/19 were £80.623m, Revenue Grant Reserves were held at a value of £8.733m and Schools Balances were held at £4.202m, therefore the total reserves held at the end of the financial year was £93.558m.
- 2.2 This policy document also sets out the rationale for the creation of the reserves, the arrangements for their management and the approval process for use. The Policy is detailed at Appendix 1.

## **3 Conclusions**

- 3.1 An appropriate Reserves Policy subject to scrutiny is considered good governance for a Local Authority.

## **4 Options**

- 4.1 Option 1 - That Members approve the approach to the creation and maintenance of reserves as set out in Appendix 1.
- 4.2 Option 2 – That Members suggest an alternative approach to the creation and maintenance of reserves.

## **5 Preferred Option**

- 5.1 Option 1 is the preferred option.

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- 6        **Consultation**
- 6.1      To demonstrate the appropriateness of the earmarked reserves maintained by the Council this Reserves Policy is subject to a detailed review by the Audit Committee.
- 7        **Financial Implications**
- 7.1      As shown in the Statement of Accounts which is presented to this Committee elsewhere on this agenda, the Council was able to deliver a financial outturn in accordance with its agreed budget for 2018/19. As such, with the proposed Reserves Policy as detailed in Appendix 1, it is in a robust financial position to meet the challenges for both this financial year and in preparation for the financial year 2020/21.
- 7.2      In order to increase the transparency on the earmarked reserves held by the Council, a specific reserves policy has been developed which is now subject to annual review. This has enabled the Council to align its earmarked reserves to the Corporate and Strategic Objectives of the Council. (Anne Ryans)
8.       **Legal Services Comments**
- 8.1      N/A
9.       **Cooperative Agenda**
- 9.1      N/A
- 10       **Human Resources Comments**
- 10.1     N/A
- 11       **Risk Assessments**
- 11.1     It is important in managing its finances that an Authority achieves a balance of both setting aside earmarked reserves which are appropriate supporting Corporate Priorities and Objectives whilst retaining financial resilience to secure its medium and long term financial stability. (Mark Stenson)
- 12       **IT Implications**
- 12.1     N/A
- 13       **Property Implications**
- 13.1     N/A
- 14       **Procurement Implications**
- 14.1     N/A
- 15       **Environmental and Health & Safety Implications**
- 15.1     N/A
- 16       **Equality, community cohesion and crime implications**
- 16.1     None

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17 **Equality Impact Assessment Completed?**

17.1 No

18 **Key Decision**

18.1 No

19 **Key Decision Reference**

19.1 N/A

20 **Background Papers**

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are included at Appendix 1  
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21 **Appendices**

21.1 Appendix 1 - Reserves Policy for 2018/19 to 2019/20.

Appendix 1

# RESERVES POLICY

FOR

2018/19 TO 2019/20



**Oldham**  
Council

## RESERVES POLICY

### 1 Background

- 1.1 It is important to have a strategic approach to the creation and maintenance of reserves. Having first established a reserves policy for the closure of the accounts for 2014/15 and the financial year 2015/16, this updated policy addresses key issues arising from the 2018/19 accounts closure and 2019/20 financial year.

### 2 Policy

- 2.1 As financial resources are becoming even more scarce, it is essential to ensure that any funds set aside in reserves are considered appropriately so that they have maximum effect. Now that the principle of a reserves policy has been established, the process of identifying reserves continues to have regard to the addressing of corporate priorities.
- 2.2 Corporate Reserves have in the past been created at the discretion of the Director of Finance. Whilst it is essential that some flexibility is maintained, this policy sets out agreed priority reserves. This will enable any identified additional resources to be directed to the priority areas.
- 2.3 It will also be essential to determine by means of a risk based review on a case by case basis, the appropriate level of reserve to be held in each priority area. Clearly there will be the opportunity for the recommended level of required reserve to change, but it is proposed that once each reserve has reached the maximum recommended level, then resources will be directed to the next priority reserve. Once all these reserves have reached the proposed maximum, then any other available resources can be made available for individual budget holder business case requests.

### 3 Establishing the Priorities

- 3.1 The closure of the 2018/19 accounts has enabled a detailed review of the Council's reserves and categorisation of these reserves into 15 major areas as in previous years. There are in most instances, a number of reserves within these major areas including the priority reserves.

For clarity, the **15 major reserves** and the reserves created to support **corporate priorities** within them are set out and explained in this policy as follows.

#### 1) Integrated working – £3.662m at 2018/19 accounts closure

This reserve represents resources that have been set aside to support initiatives arising from the Greater Manchester devolution agenda including joint working with the Oldham Clinical Commissioning Group (CCG) around Adult Social Care, other Greater Manchester Councils and the Greater Manchester Combined Authority.

The priority reserves included within this category are:

##### a) Adult Social Care - Better Care Fund (BCF)

At the end of the 2017/18 financial year, £2.500m of Improved Better Care Fund monies were transferred to reserve for future utilisation. This reserve is available to support the potential cessation or reduction of Improved Better Care Funding at the end of the current funding cycle in 2019/20 but with potential to also address pressures within Adult Social Care and to assist with integration.

### **b) BCF Non Recurrent Funding**

This reserve holds the balance remaining of funds that were passported to the Council from the CCG in the latter part of 2016/17. It has been jointly agreed that this money will be retained for joint projects/ priority areas of spend in relation to Adult Social Care over future years.

### **c) Devolution Reserve**

It is considered appropriate to have a reserve to support expenditure on the devolution agenda. A sum of £0.240m has been held in reserve to facilitate expenditure in this area going forward.

## **2) Transformation Reserve - £10.281m at 2018/19 accounts closure**

This reserve holds resources set aside to provide for any costs of implementing the Council's budget requirements for 2019/20 and earlier years and also the on-going programme of change as the Council moves to address funding reductions in future years by the continued transformation of its services.

The priority reserves within this category are:

### **a) Transformation/Invest to Save Reserve**

In order to facilitate transformational change across the Council, some funding is needed for pump priming items such as dual running of systems and project management. During 2018/19, £1.014m was used to support transformational projects in year, £1.471m was committed for future projects and £0.317m was left uncommitted for future developments. At the end of the financial year, £1.183m was allocated to this reserve to enable the organisation to continue with its transformation agenda. The total held within the reserve at 31 March 2019 was £2.971m.

### **b) Redundancy/Efficiency Reserve**

As part of the agreed budget strategy for 2015/16, the corporate redundancy base budget was reduced by £2m. As a consequence, funding for redundancy costs will be provided by utilising a reserve. The reserve balance at the end of the 2018/19 financial year was £4.000m. If the reserve is utilised then it will be replenished the following the year.

### **c) Resident First Reserve**

As part of the Council's Customer Service Transformation Programme, the Resident First Programme has been developed and split into specific phases. This Programme was designed to help the Council achieve its ambition of moving to a 'Self-serve, Self-help' service delivery model and the way it interacts with residents. This will require transformation of the delivery of the Council's services to enable residents to serve themselves and ultimately improve their 'customer experience'. At the end of 2018/19 there was £0.180m of resources available to support the programme.

### **d) Public Health Reserve**

A reserve was set aside at the year-end 2015/16 of £0.809m to mitigate future issues arising from a reduction in the Public Health Grant received by the Council. As part of the 2017/18 budget process, £0.373m of this reserve was

identified for use to support an agreed public health budget reduction and was transferred to the balancing budget reserve. The remaining balance held within this reserve is to be used to support the Public Health offer for future years.

**e) Social Care Budget Reserve**

As social care services face unprecedented demand it has been deemed appropriate to hold a reserve to support the social care service area. During 2018/19, £0.595m was utilised to support revenue expenditure. The balance remaining at the end of the financial year was £0.711m. Any proposed use of this reserve to fund demand pressures or new initiatives in support of the integration agenda will require a full evidence based business case.

**f) Dedicated Schools Grant (DSG) Recovery Plan**

A reserve was set aside at the end of the 2016/17 financial year to smooth the implications arising from the realignment of General Fund and DSG resources in part resulting from changes in Government policy around the costs that can be charged to the DSG. At the end of 2018/19, the DSG had a deficit balance and as such it was deemed appropriate to increase this reserve so that this resource can support initiatives to assist in the DSG recovery plan (which must be submitted to the Department for Education).

**3) Adverse Weather Reserve - £1.500m at 2018/19 accounts closure**

The 2015/16 budget setting process approved the reduction in the Winter Maintenance base budget by £0.100m and an increase of the already established adverse weather reserve to compensate. A reserve of £1.500m is considered sufficient to fund the costs of several severe winters and the reserve was held at this value at the closure of the 2018/19 accounts.

**4) Regeneration Reserve - £6.456m at 2018/19 accounts closure**

The Council has an extensive and ambitious regeneration agenda and resources have been set aside to support a number of regeneration projects which span more than one financial year. The priority reserves within this category are:

**a) General Capital Reserve**

There is a significant capital programme pressure arising from the regeneration ambitions of the Council and the major projects that are included in the capital programme. The financing arrangements of some of the schemes are yet to be finalised and given the nature of the schemes, it is possible that there could be variations from the planned level of expenditure which will need to be supported. It is therefore prudent to set resources aside.

**b) Town Centre Investment Strategy**

A reserve was set aside at the end of the 2012/13 financial year to support the Town Centre Investment Strategy. At its meeting of 28 January 2019, Cabinet agreed that part of this reserve would be realigned to support revenue expenditure with regard to the Alexandra Park Depot Site project. The balance remaining will support Town Centre Initiatives in future years.

### **c) Property Strategy**

At the Council meeting of 18 December 2017, Members approved the creation of a reserve at a value of £0.250m to provide for up front / abortive costs with regard to the Commercial Property Investment Strategy.

### **d) Town Centre Development**

A report was presented to Cabinet on 28 March 2018 approving revenue resources of £2.879m to support the Town Centre Development. A subsequent report increased this requirement to £3.147m. These monies are to be held in reserve until required. The balance at the end of the 2018/19 was £3.147m.

### **e) Alexandra Park Depot Site**

As detailed in section 4b, Cabinet, at its meeting of 28 January 2019, approved the establishment of a specific reserve in relation to the Alexandra Park Depot Site project. This reserve has been established at a value of £0.300m.

## **5) Demand Changes Reserve - £2.000m at 2018/19 accounts closure**

In anticipation that there will be demand pressures in future years, a reserve has been set aside to deal with unexpected and unbudgeted demand increases. Of this reserve, an element is specifically for Children's Social Care in accordance with the 2019/20 budget report approved on 27 February 2019.

## **6) Emergency and External Events Reserve - £2.751m at 2018/19 accounts closure**

This reserve was established in 2015/16 to ensure that the Council has sufficient resources to address costs arising from events such as flooding including the requirement to undertake emergency repairs. The priority reserves in this category are:

### **a) Commissioning and Legal Challenges Reserve**

In recent years, the Council has changed from being a deliverer in many service areas to becoming a commissioner of services including Private Finance Initiative (PFI) schemes, Adult Social Care and Public Health. Whilst this is able to drive efficiencies and removes the Council from the day to day direct delivery of services, it introduces a range of contract management challenges which require close monitoring. There are instances where this process has led to disputes and the Council has had to seek expert advice to support and defend its position. A reserve has therefore been created to address such one-off costs.

### **b) Equipment Replacement/Building Maintenance Costs Reserve**

To fund requests for the emergency replacement of equipment or the undertaking of immediate building maintenance work a reserve of £1.000m was set-up in 2014/15. This ensures a source of funds is readily available to support such costs in an emergency. The reserve is retained at this value at the closure of the 2018/19 accounts.

### **c) Flood Protection Reserve**

Following the floods of December 2015 and the impact on neighbouring Authorities, a reserve of £0.250m was set aside to fund required flood protection measures in the Borough.

### **d) Emergency Incident, Threat or Hazard Reserve**

In order to discharge its Statutory Responsibility for Emergency Planning, the Council prepared a financial procedure to facilitate the incurring of expenditure in the case of an emergency or incident in the Borough which may result in hardship to a group of residents or the Council having to incur expenditure in the interests of public safety. This procedure required the creation of a reserve of £0.250m and this was established in 2015/16 and has been retained for 2018/19. It will be necessary to ensure that a fund of £0.250m is permanently available in order to comply with the financial procedure rule.

### **e) Water Courses and Culverts**

This reserve has been set aside for unforeseen/emergency works on Water courses and culverts that would otherwise be unfunded.

## **7) Levy Reserve - £0.402m at 2018/19 accounts closure**

This reserve was created to support variations in the Waste Disposal Levy. As such, the Council was formally notified of the levy for 2019/20 on 15 February 2019 at a value of £18.102m which was £0.157m higher than previous estimates. In line with the agreed policy, the £0.157m was funded by the levy reserve and therefore £0.157m was transferred to the Balancing Budget Reserve category in line with the approved 2019/20 Council Revenue Budget report. Therefore £0.402m remains available for future years.

## **8) Council Initiatives Reserve - £4.514m at 2018/19 accounts closure**

There are a number of projects and programmes of work which the Council considers to be priority initiatives. Reserves have been set aside to ensure that these can be undertaken during future years. The major priority reserves are:

### **a) Learning and Attainment Reserve**

There is a political priority to support the learning and attainment agenda to promote the improvement of results in schools. A reserve of £1.000m was created in 2014/15 to be used over future years. At the end of 2018/19, £0.737m remained in the reserve.

### **b) Local Welfare Provision**

The Welfare Reform Act 2012 ended the provision of Community Care Grants and Crisis Loans for living expenses under the Discretionary Social Fund administered by the Department for Work and Pensions (DWP). Funding was transferred from the DWP to Local Authorities (LA's) from 1 April 2013 to provide a locally administered scheme to provide assistance to vulnerable residents in the Borough. Money is held in reserve to ensure facilitation of the scheme in future years to assist residents with crisis situations.

**c) Career Advancement Service**

This reserve was established to fund the Career Advancement Service Pilot scheme during the period 2016/17 to 2019/20. The strategy seeks to improve population skills and outcomes to support Oldham's strategic goals.

**d) Flytipping**

This fund was established to address the issues around flytipping within the Borough and will help to deliver a co-operative approach.

**e) Digital Enterprise Hub**

At the Cabinet meeting of 21 March 2016, Members agreed the allocation of £0.200m to support the creation of the Digital Enterprise Hub within Oldham Town Centre over a three year period.

**f) Northern Roots**

On 28 January 2019 Cabinet approved a report with regard to Northern Roots which required revenue resources over a two year period. External funding will partly support the scheme with resource held in reserve at the end of the financial year to support this project in 2019/20 and 2020/21.

**9) Fiscal Mitigation Reserve - £14.975m at 2018/19 closure**

This reserve has been established to fund future costs expected to arise from reforms to Central Government Funding and also pressures that result from legislative changes. The priority reserves within this category are:

**a) Business Rates Reserve**

The income from Business Rates remains volatile and therefore it is prudent to have resources available to support the General Fund should business rates income be reduced in future years' budget processes. Also, with the introduction of the 100% Business Rates retention pilot from 2017/18, this reserve also holds resources that may be paid over to or received from the Greater Manchester Combined Authority in accordance with the pooling of the benefits of the Business Rates retention pilot scheme.

**b) New Investment Opportunities**

On the 28 February 2018, Council approved budget reduction CCS-PSV-119 New Investment Opportunities. Within this, it was identified that an earmarked reserve of £0.100m was required for additional assessment and due diligence associated in delivering the saving in future years.

**c) Brexit**

The impact on Local Authorities as a result of the Brexit vote remains unknown. It is appropriate to hold a reserve to support any financial implications arising from leaving the European Union.

**d) Oldham Health Economy**

As work progresses with the integration of Health and Adult Social Care services, resources may be required to support the Oldham Clinical

Commissioning Group (CCG)/ Oldham health economy. A reserve is held at a value of £5.900m.

**e) Flexible Use of Capital Receipts**

As part of the 2019/20 revenue budget, Members agreed that the Council would take advantage of the opportunity provided by the Ministry of Housing, Communities and Local Government's (MHCLG) to use up to £3m of capital receipts to finance revenue expenditure on transformational projects. This reserve has been created in case there is any shortfall in capital receipts or supportable qualifying expenditure.

**f) Budget Reductions**

Included within the 2019/20 budget are several budget reductions which in total equal £7.829m. A reserve has been created to support any potential shortfall in these budget reduction proposals whilst work is undertaken to ensure future deliverability.

**10) Balancing Budget Reserve - £8.818m at 2018/19 accounts closure**

During the budget setting process for 2019/20, a reserve was established at a value of £8.818m which will be used to balance the 2019/20 budget. The creation and use of this reserve in 2019/20 was approved by Council on 27 February 2019.

**11) Contractual Life Cycle Costs Reserve – £6.611m at 2018/19 accounts closure**

The Council has a number of PFI and other schemes that operate in a similar manner to PFIs. The life cycle costs of these schemes vary over the period of the contract and sinking funds are required to support the transition of the asset back into Council ownership at the end of the contract life. The life-cycle costs have been smoothed for budget purposes and therefore require a transfer to and from reserves to meet the commitments.

**12) Insurance Reserve - £14.529m at 2018/19 accounts closure**

It is essential that reserves are held to ensure that there are adequate resources available to support insurance claims against the Council. The requirement for this reserve is closely linked to the claims profile of the Council and was assessed as part of the 2018/19 year-end closedown process.

**13) District Partnership Reserve - £0.732m at 2018/19 accounts closure**

This reserve represents sums set aside to fund projects already agreed by the District Partnerships which are either programmed for a future financial year or span more than one financial year. Any use of this reserve will have regard to the report approved at the Council meeting of 22 May 2019 on the future of District Executives.

**14) Taxation / Treasury Reserve - £0.625m at 2018/19 accounts closure**

This reserve holds funding set aside for any future taxation liabilities e.g. from HM Revenues and Customs and any Treasury Management issues.

## **15) Directorate Reserve - £2.767m at 2018/19 accounts closure**

There are a wide range of Directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. The Directorate Reserve will ensure that such initiatives can be completed.

### **4 Management of Reserves**

#### **Creation/ Decommissioning of Reserves**

- 4.1 A list of areas/initiatives for which an additional reserve might be created or where an existing reserve might be increased in value will be presented to the Senior Management Team (SMT) for consideration before the year end. The approval or otherwise of the reserve requests will be considered on a case by case basis and in the context of the overall projected financial position of the Council. These SMT recommended reserves will be actioned by the Director of Finance at the year-end as appropriate.
- 4.2 The report will also give consideration to those reserves no longer required or no longer considered to be priority areas. This will allow for the utilisation of the resources for other purposes, either the reallocation to other reserves, or to support the budget.

#### **Schools Related Reserves**

- 4.3 There are some schools related initiatives which may require funding on an academic year basis rather than financial year. It is proposed that such reserves are created as required.

#### **Flexibility at the Year End**

- 4.4 In addition, given the accelerated timeline for the closure of the accounts, decisions will need to be taken around the use and creation of reserves without the opportunity to formally report these to SMT/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance and reported after the Council's accounts have closed.

### **5 Approval of the Use of the Reserves**

- 5.1 Reserves can only be recommended for use as follows:

a) After a review and agreement by SMT as to the rationale for their use:

- Integrated Working Reserve
- Adverse Weather Reserve
- Regeneration Reserve
- Demand Changes Reserve
- Emergency and External Events Reserve
- Waste Smoothing Reserve

b) After review and agreement by the Strategic Design Authority:

- Transformation Reserve

c) After review and agreement by the Deputy Chief Executive or relevant Strategic Director / Managing Director and the Director of Finance:

- Directorate Reserve

d) After review and agreement of the Director of Finance:

- Council Initiatives Reserve
- Fiscal Mitigation Reserve
- Balancing Budget Reserve
- Contractual Life Cycle Costs Reserve
- Insurance Reserve
- Taxation/Treasury Reserve

5.2 The decision to utilise reserves will only be made once the in-year and future impact of use on the overall financial position of the Council has been considered by the Director of Finance.

5.3 The use and creation of reserves in year will be incorporated into the revenue budget monitoring report which is discussed with the Deputy Leader and Cabinet Member for Finance and Corporate Services and presented to Cabinet for approval. At the end of the financial year, as advised at paragraph 4.4, there will be a requirement to allow the Director of Finance discretion to address reserve issues as deemed appropriate in the context of the overall financial position of the Council.

## **6 Other Key Reserves Matters**

6.1 There is an accounting requirement to identify two separate reserves outside the scope of this policy:

a) Schools Reserve – this includes the balances held by Schools under the scheme of delegation. The use of these reserves is at the discretion of schools and as at the 31 March 2019 a net reserve of £4.202m was held.

b) Revenue Grants Reserve – this represents income from grants received which have no conditions attached or where the conditions have been met but no expenditure has yet been incurred. The use of these reserves will be determined by the relevant Service Director and the Director of Finance. The balance held in this reserve at the end of the financial year was £8.733m.