

## **Borough Council of Kings Lynn and West Norfolk**

### **Policy on Earmarked Reserves and General Fund Working Balance**

#### **Purpose**

Balances and reserves can be held for four main purposes;

- A working balance can cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- A working balance and a reserve can act as a contingency to cushion the impact of unexpected events or emergencies
- Earmarked reserves can be used to build up funds to meet known or predicted liabilities
- Holding account reserves help in equalizing the impact of operational surpluses and deficits

Working balance is considered to be the balances on the account of the General Fund.

Earmarked reserves are those set aside to meet known or predicted liabilities the main accounts being;

- capital reserves
- renewal and replacement reserves
- insurance reserves
- trading and business units reserves
- other reserves retained for operational service use

#### **Adequacy**

In order to assess the adequacy of balances and reserves when setting the budget it is necessary to take account of the strategic, operational and financial risks facing the Council and where possible;

- Attempt to keep the level of the balances and reserves within reasonable limits consistent with the associated risks
- To avoid tying up funds unnecessarily

#### **Levels and Movements on Reserves**

For each earmarked there will be set minimum/maximum levels to be held. Movements on the reserves will be recorded as part of the monthly Monitoring Report and members will be advised of any action necessary to restore agreed levels. The need for the reserve and levels to be held will be reviewed on an annual basis.

## **Governance**

The power to establish reserves will rest with the Council on recommendation by the Cabinet.

Within the existing statutory and regulatory framework, it is the responsibility of the Section 151 Officer to advise the Council about the level of reserves and balances.

Where a reserve exists for a specific purpose (e.g. a renewal or repair reserve), the Chief Finance Officer may withdraw funds from that reserve, PROVIDED THAT the withdrawals to finance an item or items of expenditure are related to the reasons for the existence of the reserve, up to a value of £100,000 per annum. Any necessary withdrawal that exceeds this amount additionally required the approval of the relevant portfolio holder.

Decisions involving additional resources from ear-marked reserves may be made by any portfolio holder up to a maximum of £50,000 per Portfolio Holder in any financial year, subject to compliance with Financial Regulations.

Any use of reserves as described above must be reported in the next monthly budget monitoring report.

Where any decision has been made without regard to Financial Regulations and it is noted prior to the commitment or spending, the Chief Finance Officer and the Monitoring Officer will have the authority to defer the payment until further discussions have been undertaken with the relevant portfolio holder.

### **Level of Working Balance – General Fund**

The minimum level of the working balance for the General Fund on 1 April each year will be set in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations. The level of balances will be reviewed each year at the setting of the Budget.

The CIPFA guidelines are currently set at 5% of the Budget Requirement (net service spend) for the following year.

## Earmarked Reserves

The balances on earmarked reserves as at 31 March are part of the annual outturn report to Council each year. The table below provides a note on the purpose for each reserve and the recommended minimum and maximum levels to be held.

The minimum / maximum level of balances was previously reviewed at the Cabinet meeting on the 1 August 2023 as part of the Revenue Outturn 2022/2023 report. A further review following the release of Earmarked reserves to General Fund Reserve resulted in an overall decrease to the maximum level. The changes are reported below.

<b>Earmarked Reserves Purpose</b>	<b>Minimum Balance</b>	<b>Maximum Balance</b>	<b>Previous Maximum</b>
<b>Amenity Areas</b> The reserve represents past contributions made by developers for the maintenance of land on housing sites. The balances will be drawn down over a period in support of service costs.	£0	£300,000	£300,000
<b>Capital Programme Resources</b> This reserve consists of past and annual revenue contributions (RCCO). It will be used to finance the capital programme.	£0	£6,000,000	£8,500,000
<b>Educational Skills Attainment</b> This reserve holds income from second homes council tax. It is used to support the Partnership on initiatives across the borough.	£0	£250,000	£1,100,000
<b>Insurance Reserve</b> The reserve is held to deal with any loss due to theft (the Council self insures against theft), claims that are below £100 and any other excess on other policies. It is also used to finance risk management initiatives.	£50,000	£300,000	£300,000
<b>Restructuring Reserve</b> The reserve is set up to deal with any consequences of changes to the establishment where redundancy and other such costs are involved and cannot be met in the year of account.	£150,000	£300,000	£800,000
<b>Renewals and Repairs Reserves</b> These reserves come from annual contributions from service areas to deal with the maintenance and replacement of facilities, vehicles and equipment.	£500,000	£2,000,000	£2,000,000
<b>Holding Accounts</b> The Holding Accounts reserves consist of a number of accounts which hold year-end balances on operational surpluses/deficits.	£200,000	£4,000,000	£3,000,000

<b>Earmarked Reserves Purpose</b>	<b>Minimum Balance</b>	<b>Maximum Balance</b>	<b>Previous Maximum</b>
<p><b>Ring Fenced Reserves</b>            These reserves consist of balances held on operational trading accounts and include Trust Funds held by the Council. The funds are 'ring-fenced' and are only used for certain purposes.            (May be subject to amounts of Trust Funds placed with the Council)</p>	£50,000	£4,300,000	£4,300,000
<p><b>Climate Change</b>            Allow implementation of smaller schemes; help fund preparation for larger capital scheme funding bids and also fund feasibility reports on potential options in support of the Council's Emissions Reduction Strategy and Action Plan.</p>	£0	£1,250,000	£1,250,000
<p><b>Planning Reserve</b>            The Government provide for grant aid/awards for performance on Planning services. The Council's policy is to draw sums from here annually to support the overall cost of the planning service.</p>	£0	£800,000	£800,000
<p><b>Grants Reserves</b>            These reserves hold unspent funds received as grants from external bodies for specific schemes/projects.</p>	£0	£4,800,000	£4,800,000
<p><b>Collection Fund Adjustments</b>            This reserve holds the year end balances of any accounting adjustments necessary for the Council's Business Rates safety Net and Levy payments.</p>	£0	£8,000,000	£11,500,000
<p><b>Project reserves</b>            These reserves are set up to hold funds earmarked for specific projects that will be delivered in future years.</p>	£0	£4,400,000	£4,400,000
<p><b>Other</b>            The 'Other' Reserves consists of a number of miscellaneous accounts that are basically operational in nature e.g. various system suspense accounts. The review of Earmarked Reserves during 2021/2022 identified a sum of £3m to be set-a-side to invest in schemes or support spend to assist with closing the project budget gap in 2025/2026.</p>	£0	£500,000	£500,000
<b>Total</b>	£950,000	£37,200,000	£43,550,000