

## REVENUE RESERVES POLICY STATEMENT

### GENERAL POLICY

- Revenue balances will be used to deal with most cases of uncertain expenditure requirements. The level of balances will therefore be set after taking account of potential requirements.
- Contingency budgets will only be established in exceptional cases.
- Provisions may be established to set aside funds where expenditure/liability is unavoidable or virtually unavoidable but has not been formally committed.
- Revenue reserves may be established only for the following purposes, namely to:
  1. **Temporary Reserves**  
Carry forward funding for a specific project from one year to the next (on one occasion **and for one year** only)-“temporary reserve”;
  2. **Retained Funds**  
Create or add to a fund for recurring irregular expenditure for a specific purpose where the annual budget is likely to be insufficient – “retained fund” (e.g. insurance excesses);
  3. **Restricted Funds**  
Hold funds provided to the Council for specified purposes or where there are statutory obligations –“restricted funds” (e.g. S106 agreements).
- To limit the impact on the Council’s financial position from the creation of temporary reserves, requests can only be recommended to the Executive Director Corporate Services where:
  1. Budgetary provision exists to cover the creation of the reserve;
  2. The reserve is to meet the cost of an **unavoidable** commitment (i.e. restricting the transfer of potential savings to unjustifiably inflate budgets/spend in future years);
  3. The creation of a reserve will not adversely affect the projected outturn for individual Directorates.

## **REQUIREMENTS**

### **Balances**

- Approval of Council is required for any use of Council balances.

### **Provisions**

- The funding source must be identified when a provision is created.
- Provisions will only be established strictly in accordance with CIPFA Code of Practice, Council policy and with the explicit approval of the Executive Director Corporate Services.
- The need for and level of provisions must be reviewed at least every 6 months by the relevant service manager in consultation with the Executive Director Corporate Services

### **Reserves**

- The specific purpose of a reserve must be stated when it is created. It may be used for no other purpose.

### **Temporary reserves**

- Temporary reserves may be created only with the approval of the Executive Director Corporate Services at year end.
- Temporary reserves can only be approved for one year and any balances remaining within temporary reserves at the end of the subsequent financial year will be returned to general balances and the reserve deleted.

### **Retained funds**

- Retained funds may be created only with the approval of the Executive Director Corporate Services at year end. Additions to retained funds may only be made from specified budgets approved by the Executive Director Corporate Services.
- The Executive Director Corporate Services must agree the mechanism for the approval of expenditure from retained funds. All expenditure must be in accordance with the agreed mechanism.
- The level of retained funds must be reviewed regularly and disclosed, along with details of expenditure, in all regular reports to committees on revenue expenditure.

### **Restricted funds**

- The Executive Director Corporate Services, in consultation with relevant service managers, will at least annually review the need for and level of restricted funds.
- The level of restricted funds must be reviewed regularly and disclosed, along with details of expenditure, in all regular reports to committees on revenue expenditure.

**General**

- The Executive Director Corporate Services will produce detailed procedures for implementation of the policy. All requirements must be complied with.
- Following a review Cabinet will be advised of levels of Reserves in October each year to inform and assist with the budget process.





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