

<b>Report of:</b>	Executive Member for Finance and Governance Interim Director of Finance (S151 Officer)
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<b>Submitted to:</b>	Council
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<b>Date:</b>	18 September 2023
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<b>Title:</b>	Reserves Policy 2023/24
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £150,000 and have a significant impact in two or more wards
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<b>Urgent:</b>	No
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<b>Why:</b>	Not applicable
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### **Executive summary**

As part of the Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2026/27 report to Executive on 23 August 2023 Executive agreed a proposed Reserves Policy for the Council to apply in 2023/24 and recommended it to the Council for approval. This report requests Council approval of the Reserves Policy for 2023/24.

That the Council:

- Approves the Reserves Policy for 2023/24 contained in Appendix 1

## Purpose

1. The purpose of the report is to obtain approval from Full Council of a Reserves Policy for 2023/24 (Appendix 1)

## Background and relevant information

2. The Council is required to maintain adequate financial reserves. Reserves are an integral part of sound financial management, they help the Council plan for future spending commitments, balance the budget, and manage unpredictable financial pressures.
3. The Council's General Fund Balance and other usable revenue reserves at 31 March 2023 are summarised in table 1 below. It should be noted that the General Fund balance is the reserve of last resort and stands at 9.5% of the 2023/24 net revenue budget. Unrestricted usable earmarked revenue reserves are at a critically low level and it is essential that 2023/24 expenditure is contained within the approved budget in order to protect these balances. The intention over the period of the MTFP is to replenish these reserves to rebuild the Council's financial resilience so that it can respond to unforeseen financial shocks outside of its control. The updated MTFP includes contributions to the Financial Resilience Reserve of £0.500m in 2024/25 and then £0.750m p.a. in 2025/26 and 2026/27.

**Table 1 – Reserves as at 31 March 2023**

<b>Reserves as at 31st March 2023</b>	
	<b>Closing Balance 31/03/23 / Opening Balance 01/04/23  £m</b>
General Fund Reserve	12.041
<u>Usable Earmarked Reserves</u>	
Restricted Use	1.171
Unrestricted Use	2.788
	<b>3.959</b>
Unusable Earmarked Reserves	3.974
School Balances	3.640
Provisions	5.194
<b>Reserves as at 31st March 2023</b>	<b>28.808</b>

4. An essential element of the Council's MTFP is the management and maintenance of adequate financial reserves and it is therefore recommended that the Council adopts a Reserves Policy within 2023/24, and that this will be further updated and approved as an integral part of the MTFP for 2024/25 and future years. As part of The Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2026/27 report to Executive on 23 August 2023 Executive agreed the proposed Reserves Policy for the Council to apply in 2023/24 and recommended it to Council for approval. This report requests the approval of the Reserves Policy contained in Appendix 1 by Council.

## **What decision(s) are being recommended?**

That the Council:

- Approves the Reserves Policy for 2023/24 contained in Appendix 1.

## **Rationale for the recommended decision(s)**

5. Reserves are an integral part of sound financial management, they help the Council plan for future spending commitments, balance the budget, and manage unpredictable financial pressures.
6. The adoption of a Reserves Policy is recommended good practice to enable the effective management and maintenance of reserves.
7. The adoption of a Reserves Policy is important in addressing the risk in the current year of reserves being exhausted if expenditure is not contained within the approved 2023/24 budget as detailed in paragraph 3.
8. The Council is required to set a legally balanced budget for 2024/25 and achieve a financially sustainable position through a balanced MTFP to 2026/27. Maintaining adequate financial reserves is a key part of this.

## **Other potential decision(s) and why these have not been recommended**

9. There are no other potential decisions that have been considered due to the need to manage reserves effectively by a Reserves Policy.

## **Impact(s) of the recommended decision(s)**

### ***Legal***

10. The Council is required under legislation to set a balanced budget for each year. The MTFP and revenue and capital budgets form part of the Council's policy framework, as set out in its constitution.
11. The Council is required to maintain adequate financial reserves. Reserves are an integral part of sound financial management, they help the Council plan for future spending commitments, balance the budget, and manage unpredictable financial pressures.
12. Sections 32 and 43 of the Local Government Finance Act 1992 require councils to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally to Council on the adequacy of proposed reserves when setting the budget and council tax requirement. This is completed at the Council through the Robustness Statement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
13. CIPFA issued [Local Authority Accounting Panel \(LAAP\) Bulletin No.99](#), Guidance Note on Local Authority Reserves and Balances in July 2014. CIPFA also issued [CIPFA](#)

[Bulletin 13 Local Authority Reserves and Balances](#) on 28 March 2023. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government. In response to the above requirements, this policy sets-out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance for the Council's cash backed usable reserves.

### **Strategic priorities and risks**

14. The S151 Officer is required to provide statutory advice to Council on the robustness of the budget estimates and adequacy of reserves. The Reserves Policy is a key part in enabling the S151 Officer to fulfil this role.

### **Human Rights, Equality and Data Protection**

15. There are no implications arising from this report.

### **Financial**

16. This report sets out for approval by Council a Reserves Policy for the Council for 2023/24.

17. The budget process for 2024/25 will culminate in the Chief Finance Officer's assessment of the robustness of the proposed budget and adequacy of reserves statement contained within the final report presented to Executive and Council in February 2024. The Reserves Policy is a key part in enabling the S151 Officer to fulfil this role.

### **Actions to be taken to implement the recommended decision(s)**

Action	Responsible Officer	Deadline
If approved the Reserves Policy for 2023/24 as contained in Appendix 1 will be implemented	Interim Director of Finance / Head of Financial Planning & Support	30/9/23
Further update the Reserves Policy as part of the 2024/25 budget setting process and include in the budget report to Executive and Council in February 2024	Interim Director of Finance / Head of Financial Planning & Support	28/2/24

### **Appendices**

1	Reserves Policy 2023/24
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### **Background papers**

Executive	Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2026/27	23/8/23
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