

Management of Reserves APPENDIX F

Protocol for the Management and Use of Reserves

1. CIPFA's Guidance Note on Local Authority Reserves and Balances states that 'it is important that local authority councillors take responsibility for ensuring the adequacy of reserves and provisions when setting the budget'. The Guidance Note requires the Section 151 Officer (the Head of Finance) to advise members about the level of reserves they should hold and to ensure that there are protocols for their establishment and use.
2. The Council's Financial Regulations state that for each reserve established, the purpose, usage and basis of transactions should be clearly identified, and that authorisation and expenditure from reserves is by the appropriate Corporate Director of Head or Service in consultation with the Head of Finance.
3. When a reserve is to be established, the Head of Finance must be satisfied:
 - a) Of the reason for the reserve, and its purpose.
 - b) That setting up the reserve complies with the latest version of the Code of Practice on Local Authority Accounting in the United Kingdom
4. Contributions to and from reserves shall be included in the Council's accounts, which are approved by the Head of Finance and the Audit and Governance Committee.
5. Control of Reserves shall involve:
 - a) An annual review of the relevance and adequacy of reserves, as part of the Head of Finance's budget report.
 - b) Monthly budget monitoring of the Council's overall revenue position to assess the potential extent of the use of general reserves in any year.
 - c) A year end assessment by the Head of Finance of the potential use of reserves in order to optimise the Council's financial position, with any such use reported to the Audit and Governance Committee as part of the report on final accounts.
 - d) It should also be noted that the External Auditor may wish to review the level of reserves at any time, and that the Head of Finance will take into account any views expressed by the External Auditor on reserves as part of the budget report.
6. This report takes into account the assessment of reserve requirements in appendix B.

Reserve (usable reserves only)	Reason/Purpose	Management and Control	Use	Estimated balances
General Reserve (including future liability)	To fund any overspend on the Council's annual budget. To ensure that the Council has funds to cover unexpected events in the short and medium term. To provide a prudent basis for operating.	As per 5 (a) to (d) above	To fund any overspend on the Council's annual budget – in which case, if the level goes below the minimum shown in Appendix B, the reserve will need to be replenished the following year	31.3.15 £11.6million. In year use/transfer (net)£2.4m 31.3.16 £14million Adequate, See Appendix B, Adequacy of Reserves

Management of Reserves APPENDIX F

Reserves (usable reserves only)	Reason/Purpose	Management and Control	Use	Estimated Balances
General Reserve – Specific Risk Management	In recognition of the specific risk resulting from reliance on donations from the Airport Company to fund charitable partners of the Council whose work would have to be funded by the Council if Airport funding was not available.	As per 5 (a) to (d) above	To fund key partners if the Airport Board is unable to provide make donations in future – in which case, the base budget and reserve requirement will need urgent reassessment to determine future requirements	31.3.15 £3.0million 31.3.16 £3.0million Adequate at minimum level, see Appendix B Adequacy of Reserves
General Reserve – Invest to save	To provide funds to enable the Luton Excellence project to use to deliver ongoing revenue reductions and service improvements, and to fund invest to save schemes essential to balance the budget in future years – see invest to save scheme	As per 5 (a) to (d) above, plus report to CLMT, FPP and Exec in accordance with Lex approval scheme and invest to save scheme on specific	In accordance with the Luton Excellence governance arrangements and the invest to save scheme	31.3.15 £3.5m Repayment net of new use £0.2m 31.3.16 £3.7m Invest to save funding is essential to develop new efficiencies
General Reserve – reorganisation etc	To ensure that the Council can fund the costs of implementing the massive change necessary over the coming years and claims that may arise	Approved by Executive on the recommendation of the Head of Finance	To fund costs arising from organisational development including claims that may arise	31.3.15 £5.6m In year use £0.8m 31.3.16 £4.8m in line with medium term strategy
General Reserve – Service Provision & pressures	To enable underspends to be carried forward for use in the following financial year	Use approved by Executive and implemented by Head of Finance	To fund carry forwards. To fund unexpected in-year pressures	31.3.15 £1.1m approx, in year use £1.1m, but est. 16/17 carry forwards £1.0m giving 31.3.16 £1.0m. Not relevant for budget setting.
Housing Revenue Account – General Revenue Reserve	To fund additions or improvements to the housing stock, or to meet any overspend on the HRA budget. To ensure sufficient funds to cover unexpected events. To provide a prudent basis for operating.	As per 5 (a) to (d) above	To fund any overspend on the HRA's annual budget – in which case, the reserve may need to be replenished the following year. Estimated balances take account of further capital commitments to improve the Council's housing stock	31.3.15 £3.3m Estimated use £1.9m 31.3.16 £1.4m Adequate
Housing Revenue Account – capital reserve	To fund HRA developments	As per 5 (a) to (d) above	To make improvements to existing homes or to provide new homes	31.3.15 £0.3m Estimated use 0.2m 31.3.16 £0.1m Adequacy not applicable to revenue budget
Reserve (usable	Reason/Purpose	Management	Use	Estimated

Management of Reserves APPENDIX F

reserves only)		and Control		balances
Central Insurance Reserve	To enable the Council to self-insure risks where no external cover is obtainable, and/or where self insurance is better value	As per Insurance procedures	To pay claims by departments for items/incidents which are met by self-insurance, subject to validation and to any excess	31.3.15 £2.5m No change in year Net projection for 31.3.16 £2.5m (excs. provisions)-needs ongoing review based on updates of risks.
Schools Reserves	To enable schools to carry forward funds not spent in any particular year for use on future projects	As per 5 (a) and (b) above, with detailed assessments by Children & Learning	Schools-specific reserves for their expenditure (also used for inter-schools loan scheme). Central funds limited to DSG spend.	31.3.15 £16.5m net change in year £0m 31.3.16 £16.5m Adequate
General Reserve – Planning, including development plan	To allow for unpredictable costs of enquiries/income reductions in planning, and in development plan production	As per 5 (a) to (d) above	To fund any overspend of the Council's overall budget resulting from a reduction in planning fees or a major planning enquiry. To fund major spend pressures in relation to development plan production.	31.3.15 £0.2m Use in year £0m 31.3.16 £0.2m
Pension Reserve	To fund future pension-related liabilities	Review by Head of Finance on receipt of pensions information plus annual reviews	Funding of Council liabilities in respect of pensions costs including any early retirements, given deficit levels on pension fund.	31.3.15 £3m Use in year £0m 31.3.16 £3m In line with medium term strategy
Public Health Reserve	Funding for Public Health activity	As per 5(a) to (d)	To hold any underspends from the ring fenced funding for use in the following year.	31.3.15 £0.2m Use in year £0m 31.3.16 £0.2m
Investment Reserve	To enable projects intended to improve the councils longer term position.	As per 5(a) to (d)	To enable investments in services	31.3.15 £2.1m Committed use in year £1.5m 31.3.16 £0.6m
Butterfield Reserve	To share the benefits from Butterfield Business Park	As per 5(a) to (d)	For additional spend on economic development activity, over and above the Council's base budget	31.3.15 £0.9m Add in year £0.03m 31.3.16 £0.9m
Welfare Reform and Recession Reserve	To enable the Council to respond positively to priority local issues where there is significant impact on the Luton population and/or the Council's own financial situation.	As per 5 (a) to (d) above, with release of Welfare Reform elements by the Head of Revenues & Benefits & Head of Finance consulting with the Finance Portfolio Holder	To provide short term funding that may be needed for: a) key local economic and social pressures as a result of the recession b) further reductions in government grant	31.3.15 £1.5m Use in year £0.1m 31.3.16 £1.4m Adequate