

APPENDIX 6

Bury Council

Reserves Policy 2024-25

General Fund

The level of the General Fund Reserve will be no less than 5% of the Council's net revenue budget excluding the Dedicated Schools' Grant. It should reflect the overall financial environment and the key financial risks faced by the Council.

The amount held in the General Fund Reserve will be reviewed at least annually. In reviewing the level, Cabinet will take advice from the Executive Director of Finance S151 Officer.

Earmarked Reserves

Earmarked reserves are typically held for the reasons set out below.

- Insurance earmarked reserves – to meet the estimated cost of future claims not covered by insurance policies.
- External Funding reserve – These funds are held where funding has been allocated to the Council for a specific purpose and will be held until services have a plan to spend the reserve.
- Budget Smoothing Reserve – This reserve is to support the Council to manage the budget and any unforeseen financial pressures which may occur during the year.
- Collection Fund Smoothing Reserve – This reserve was set up during 2020 to manage fluctuations between years on the collection fund.
- DSG Deficit Reserve – The Government agreed a Statutory Override for a deficit reserve to be held to allow time for the DSG financial pressures to be managed. This Override will be in place until 31 March 2026.
- Schools Reserves – These are held within Bury Councils reserves for specific use by schools.
- S106 Reserve – These reserves are received from developers and held for a specific purpose.

The use of reserves can be used as a one off to balance the budget whilst longer term plans are developed however, they should not be used on an on-going basis to balance the budget.

Schools' Earmarked Funds

Schools' balances are held for two main reasons. Firstly, as a contingency against financial risks and secondly, to save to meet planned commitments in future years. Decisions on these funds are taken by individual schools.

Every school is required to produce a statement explaining the purpose of the reserve, together with a plan describing when the reserves will be used.

Safety Valve Reserve

The Council provides a range of services for children with special needs funded from the High Needs block of the Dedicated Schools Grant (DSG). The DSG is funded entirely by the Department for Education (DfE). In recent years many local authorities, of which Bury is one, have found that the High Needs block has not been sufficient to meet the cost of providing services to children and young people with special needs. In response to this pressure the DfE and Department for Levelling Up, Housing and Communities (DLUHC) have permitted local authorities, for a specified period, to ring-fence the overspending on the High Needs budget and carry it on their balance sheet from one financial year to the next as a 'negative reserve'. This can only be a temporary measure as it goes against the fundamental principles of accounting, not least the matching principle which requires that income and any expenditure related to it should be met in the same reporting period.

It follows that the DfE needed to help local authorities both to balance their High Needs budget in-year and to repay the deficit accumulated in previous years. The DfE established the Safety Valve programme for this purpose and Bury Council has actively participated in this programme since its inception in 2020-21.

The Council signed a Safety Valve Agreement with the DfE in which it agreed to implement measures designed to achieve an in-year balanced budget for the High Needs block. As part of the Agreement, the Council also made a commitment to contribute £6m from the General Fund towards the repayment of the cumulative deficit which is projected to rise to £18.5m by 31 March 2024. The Council will set aside an earmarked reserve to provide for the outstanding contribution from the General Fund in 2024-25.

Insurance Fund Reserve

An insurance fund reserve shall be held for the purpose of self-insurance and for taking action to manage the Council's insurance liabilities and reduce risk. The Council is advised on the size of its insurance fund provision and its separate insurance fund reserve by Gallaher's. The insurance fund provision covers potential or contingent liabilities. The insurance fund reserve covers the potential cost of insurance claims in excess of the amount provided for in the Insurance Fund provision.

Monitoring Policy

The level of earmarked reserves and balances will be monitored monthly throughout the year. Reports on the use of reserves will be provided to Members on a regular basis.