

ARDS AND NORTH DOWN BOROUGH COUNCIL

POLICY COVER SHEET

Policy Title	Reserves Policy
Policy/File Reference	FIN58 Screening Ref: 289
Version	2.0
Policy Summary	The purpose of this document is to set the Council's policy in relation to maintaining its financial reserves and funds to allow proper financial planning and ensure adequate financial resilience.
Responsible Officer(s)	Head of Finance
Date of Equality Screening	30 May 2023
Date of consultation with Consultative Panel	-
Date of consultation with Unions	-
Date of Council approval	29 January 2025
Implementation date	29 January 2025
Appendices attached	
Next review date	February 2026

Revision History:

Version	Changes made by	Date	Reason for change
0.1	Head of Finance	April 2023	Document Initiated
0.2	Head of Finance	May 2023	Consultation response and amendments
0.3	Head of Finance	30 May 2023	For SMT views
0.4	Head of Finance	4 June 2023	For CLT views
1.0	Head of Finance	7 June 2023	For CSC Approval
1.1	Finance Managers	December 2023	Suggested amendments for v2
2.0	Head of Finance	January 2025	Strategic financial planning

ARDS AND NORTH DOWN BOROUGH COUNCIL

Contents

Policy Statement	3
Use of the General Fund	8
Use of the Transformation Fund	9
Use of Sustainability Fund	11
Use of Tax Base Development Fund	12
Use of Capital Receipts Reserve	13

ARDS AND NORTH DOWN BOROUGH COUNCIL

Policy Statement

Introduction The Local Government Finance Act (NI) 2011 provides the legal framework for Council reserves and funds as follows:

Section 6 – Adequacy of reserves
Section 7 – Controlled reserves
Section 8 – General Fund
Section 9 – Power to establish funds
Section 10 – Limitations on use of funds

CIPFA Bulletin 13 Local Authority Reserves and Balances provides guidance regarding the levels maintained in council reserves and funds.

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) details the external accounting requirements for all reserves and funds.

Policy The Council shall maintain balances within reserves as required by the Code of Practice on Local Authority Accounting and shall maintain balances within its funds as it considers prudent bearing in mind the financial risks and opportunities to which it is exposed in line with CIPFA guidance.

In making decisions the Council will have regard to the reports presented by the Chief Financial Officer and/or the Director of Corporate Services.

Definitions **Usable Reserves** are those reserves, funds and accounts which are resource-backed and can be applied to fund expenditure.

Unusable Reserves are those reserves, funds and accounts are used to reconcile accounting requirements driven by reporting standards to statutory requirements. They are not resource-backed and cannot be used for any purpose other than that set out in the Code.

Continued on next page

ARDS AND NORTH DOWN BOROUGH COUNCIL

Policy Statement, Continued

Reserves

The Council shall maintain the following reserves as explicitly or implicitly required by the Code:

- Capital Receipts Reserve
- Capital Grants Received in Advance Reserve
- Capital Grants Unapplied Account
- Revenue Grants Unapplied Account
- Capital Adjustment Account
- Revaluation Reserve
- Pensions Reserve
- Accumulated Absences Account

Balances in these reserves shall be maintained in accordance with the requirements of the Code.

Statutory Funds

The Council shall maintain the following statutory fund:

- General Fund

This fund is for working capital purposes in order to allow the effective and efficient management of day-to-day transactions and to mitigate the financial effect of unexpected events.

The Fund may be used for non-essential expenditure up to a maximum of 0.5% of the opening balance for the financial year. Approval for this must be by the Corporate Services Committee in order to maintain appropriate oversight of unbudgeted expenditure. This must be recouped in the following year's estimates, in order to maintain financial resilience if the Council expects to run a deficit in the current financial year.

Council shall maintain a balance in this fund of a minimum of 7.5% of its gross expenditure as reported in its financial statements on the Net Operating Expenditure line of the Comprehensive Income and Expenditure Statement. Where this is not possible at any budgeting or reporting period, Council must agree a medium-term plan to restore this balance.

Continued on next page

ARDS AND NORTH DOWN BOROUGH COUNCIL

Policy Statement, Continued

Non-Statutory Funds

The Council shall maintain the following non-statutory funds:

- Earmarked Fund

This fund is for three purposes:

- A. Providing for identified contingencies for future years;
- B. Providing for periodic workstreams that are better budgeted for on an annual basis, to prevent predictable cost pressures during the estimates processes; and
- C. Providing for Strategic Initiatives that can be accessed by agreement during the annual Estimates process or by approved business cases.

This is made up of the following reserves:

A. Identified Contingencies

- Incomplete Projects Fund
- Utility Price Fund
- Bangor Aurora dilapidation works
- One-off projects subject to due process Fund

B. Periodic workstreams

- Election
- Residents Survey
- Freedoms of Borough
- Economic Development Flagship Event

C. Strategic Initiatives

- Tax Base Development Fund
- Reform and Transformation Fund
- Sustainability Fund
- Multi-year Budgeting Fund
- Capital Fund

The level of earmarked reserves will be reviewed in the preparation of the Medium-Term Financial Strategy and again as part of the preparation of the financial statements and movements in and out approved by Council during the normal processes.

In line with good financial governance, Council will aim to provide recurring expenditure pressures within its revenue budgets and so ensure the majority of the Earmarked Fund is for strategic initiatives.

The creation of any new earmarked reserves will also be subject to Council approval.

ARDS AND NORTH DOWN BOROUGH COUNCIL

Policy Statement, Continued

Principles

CIPFA Bulletin 13 sets out the principles used to assess the adequacy of reserves.

In order to assess the adequacy of unallocated general reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority.

Principle	Description
1	The treatment of inflation and interest rates The overall financial position of the authority (level of borrowing, debt outstanding, council tax collection rates etc). Rises in the prices of some commodities, eg fuel and energy, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.
2	Estimates of the level and timing of capital receipts The authority's track record in budget and financial management including the robustness of the medium-term plans. Authorities will also need to take into account changes in the property market and adjust estimates and assumptions for reserves accordingly.
3	The treatment of demand led pressures The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.
4	The treatment of planned efficiency savings or productivity gains The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.

Continued on next page

ARDS AND NORTH DOWN BOROUGH COUNCIL

Policy Statement, Continued

Principles,
continued

Principle	Description
5	<p>The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments</p> <p>The authority's virement and end of year procedures in relation to budget under and overspends at authority and directorate level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.</p>
6	<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions</p> <p>The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.</p>
7	<p>The general financial climate to which the authority is subject</p> <p>External factors, such as future funding levels expected to be included in Spending Reviews, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves.</p>

ARDS AND NORTH DOWN BOROUGH COUNCIL

Use of the General Fund

Introduction This chapter sets out the rules for the use of the General Fund to manage both unexpected expenditure and to maintain healthy balances in line with CIPFA guidance.

Criteria The Council will use the following tests when considering the use of the General Fund for unbudgeted expenditure:

1. Is there a compelling reason to incur the expenditure?
 2. Can the expenditure be deferred to the next Estimates process?
 3. Can the unbudgeted expenditure be covered by current budgetary underspends?
 4. Can the unbudgeted expenditure be covered by additional income?
 5. Is there remaining allowance within the 0.5% threshold for non-essential expenditure?
-

Process

Step	Task
1.	Requests for unbudgeted expenditure to be approved only following due process – including business cases
2.	Reports to be formally considered by Corporate Leadership Team before presentation to Council.
3.	Reports to be approved by Corporate Services Committee
4	Unbudgeted expenditure will be added as an expenditure pressure in the next available estimates process.

ARDS AND NORTH DOWN BOROUGH COUNCIL

Use of the Transformation Fund

Introduction

The Strategic Transformation and Efficiency Programme (STEP) was developed to drive organisational transformation and support a culture of continuous improvement within Directorates and across the Council.

The Programme will ultimately be self-funding, as the long-term savings will cover the up-front investment.

Criteria

Funding of Transformation Staff.

Funding Transformation projects with the following characteristics:

- Deliver the priorities for ANDBC (as set out above)
 - Provide step change in service delivery and not simply incremental change
 - Be short-term in nature (1 to 5 years)
 - Adhere to 'Task and Finish' principles
 - Apply 'invest to save' principles and evidence a return on investment (monetary or significantly enhanced quality of services)
-

Business Cases

Business cases will need to evidence:

- That effective collaboration has taken place across Council
- That existing resources and organisational capabilities are not adequate to effect change;
- That other sources of funding that have been explored and either ruled out or inadequate;
- The rationale for investment using robust data and research;
- Costings and financial viability
- The capability and capacity to implement the project

Approval will be in line with the Scheme of Delegation

ARDS AND NORTH DOWN BOROUGH COUNCIL

Exclusions

- Business as usual activities;
- Projects delivered and managed under Capital Programmes;
- Permanent funding of posts associated with projects;
- Proposals that have previously been declined through Committee or Council.

Process

Step	Task
1	Business Cases for Programme funding must be prepared in line with the process set out in the Budgeting Policy
2	Business Cases will be presented by the relevant director to the STEP Board for sign-off.

ARDS AND NORTH DOWN BOROUGH COUNCIL

Use of Sustainability Fund

Introduction The Sustainability Fund is a specific aspect of the Earmarked Fund to which will be the initial source of funding to allow progress of the Road Map to Sustainability.

This chapter sets out the criteria for accessing the fund,

Criteria Funding Sustainability staff.

Funding Sustainability projects with the following characteristics

1. Deliver projects or programmes that are included in the Road Map to Sustainability
2. Projects approved through the Estimates process
3. Other projects will be subject to funding
4. All projects must go through due process as appropriate including, but not limited to, business case, procurement, Council approval, post project evaluation etc.

Exclusions

- Business as usual activities
- Projects delivered and managed under Capital Projects Portfolio Board, or Estates Programmes, Transformation or Tax Base Development Funds
- Permanent funding of any project expenditure
- External funding

Process	Step	Task
	1	Business Cases should be prepared in line with the Budgeting policy.
	2	Business cases will be approved in line with the Scheme of Delegation.

ARDS AND NORTH DOWN BOROUGH COUNCIL

Use of Tax Base Development Fund

Introduction The Tax Base Development Fund is a specific aspect of the Earmarked Fund which will assist the funding of initiatives to grow the tax base within the Borough.

This chapter sets out the criteria for accessing the fund,

Criteria Funding Tax base development staff

Funding projects and programmes with the following characteristics:

1. That contribute to the Integrated Tourism, Regeneration and Development Strategy and which support the growth of the non-domestic tax base within the Borough, including any in the Strategic Efficiency and Transformation Programme
2. Other projects subject to funding and business case
3. All projects must go through due process as appropriate, including, but not limited to, business case for capital projects, procurement, Council approval, post project evaluation etc.

Exclusions

- Business as usual activities
- Projects delivered and managed under Capital Projects Portfolio Board, Estates Programme, Sustainability Fund
- Permanent funding of any project expenditure

Step	Task
1	Business Cases should be prepared in line with the Budgeting policy.
2	Business cases will be approved in line with the Scheme of Delegation.

ARDS AND NORTH DOWN BOROUGH COUNCIL

Use of Capital Receipts Reserve and Capital Fund

Introduction The Capital Receipts Reserve is the only reserve required by the Code, which although must be used for capital purposes, the Council is free to allocate to whatever projects or programmes it wishes.

The Capital Fund is a discretionary reserve to fund capital projects for which there are no capital receipts to use.

This chapter sets out the process for the allocation of these reserves.

Allocation

Priority	Category
1	Small projects of less than £250,000, approved as part of the Estimates Budgeting process
2	Unbudgeted projects, which have had a business case subsequently approved by Council
3	Replacement projects substituting those previously approved as part of the Estimates. Projects thus substituted cannot be carried forward to future years without subsequent re-approval.

Process

Step	Task
1	Business Cases Business Cases should be prepared in line with the Budgeting policy.
2	Council funding approval will be obtained once the budget is approved and the district rates are set.
3	Business cases will be approved in line with the Scheme of Delegation.

ARDS AND NORTH DOWN BOROUGH COUNCIL

Use of Multi-year Budgeting Fund

Introduction The Multi-year Budgeting Fund is established to allow Council manage multi-year budgeting policy, which follows the current format:

- Year 1 – Definitive budget set
- Year 2 – Indicative budget set
- Year 3 – Planning forecasts set.

This chapter sets out the process for the allocation of this reserve.

Allocation This Fund may be used during the annual estimates process to mitigate budget issues not foreseen when setting indicative budgets as part of the medium-term financial planning process.

Process

Step	Task
1	Approval for use is during the Estimates Process.