

Appendix C – Management of reserves

- 1.1 All reserves are reviewed as part of the budget preparation, financial management and closing processes. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The Cabinet will consider actual reserves when approving the statement of accounts each year.
- 1.2 The following matters apply to our major useable reserves as restated:
 - (a) The General Fund working balance will not fall below £2.176 million without the approval of The Council.
 - (b) The Asset Improvement Reserve is applied to meet future costs of improving or maintaining our properties.
 - (c) The Rent Equalisation Reserve (Sinking Funds) is available to cover rent free periods, capital and revenue incentives for incoming tenants, voids, defaults and refurbishment at the end of each lease.
 - (d) The Business Rates Equalisation Reserve is available to smooth out the irregularity of business rates income retained
 - (e) The Interest Equalisation Reserve is available to smooth out interest rate fluctuations in volatile market conditions.
 - (f) There are several minor reserves that are still required going forward, i.e., Youth Council and Social Housing Initiative as they are currently still required.
- 1.3 During the 2022/23 there were two significant matters that impacted on our earmarked reserves:
 - (a) IFRS 16 – on 1 April 2022, the Council adopted IFRS 16 and officers are forecasting that a one off reserve of approximately £400,000 will be created, and a further £72,000 will be made available to the reserves in 2023/24.
 - (b) In October 2022, Council requested that a further £200,000 be added to the Cost of Living Reserve.

Please note that in 2023/24, both these reserves were fully utilised in the budget setting process to reduce the budget deficit of £9m, as highlighted to Council in June and November 2022, during the budget briefing sessions and subsequent reports.
- 1.4 The Council will review the Reserves Policy on an annual basis as part of the budget setting process and from time to time may restructure its reserves to meet its future needs and plans.