

## Review of the Authority's Reserve Policy

### Officers' Recommendation

**That the Authority reconfirms that General Reserves should not fall below 25% of the Revenue Budget in any financial year.**

### Background

At the Authority meeting held on 25<sup>th</sup> January 2024, Members discussed the Medium-Term Financial Plan 2025 – 2028. As part of those discussions Members discussed the minimum level of General Reserves that must be maintained as a percentage of the Revenue Budget.

It was noted that the level of Reserves should be discussed and approved at the March 2024 Authority Meeting.

On 17<sup>th</sup> December 2020, the Authority was presented with background information as part of Agenda Item 7. It was noted by Members that the Governance Working Group (GWG), with the support of Devon County Council's (DCC) Finance Officers, had reviewed the Reserves Policy. This review established that holding a minimum of 25% of the Annual Budget in any financial year would adequately cover:

*'Unavoidable, known, large items of future expenditure and areas of risk for which cost might be incurred in future'.*

On 17<sup>th</sup> December 2020, the Authority agreed unanimously to the following:

- ***That the total Reserves fund should not fall below 25% of Revenue Budget in any financial year.***
- ***That the Risk Assessment of Volatile Budgets and Reserves Policy is reviewed annually.***
- ***That Reserves can only be used following agreement by the Full Authority.***
- ***That a new Capital Asset Replacement programme is put in place by 2022/23.***

### Considerations for 2024

The matter of reviewing the General Reserves Policy arose during discussion regarding the Medium-Term Financial Plan (MTFP) 2025-28. The expenditure forecasts in the MTFP identified that General Reserves would fall below the 25% of Revenue Budget threshold in 2027/28 under the option that required the smallest percentage rise in Local Authority contributions.

This option would not be possible if the Authority was to operate in line with its current General Reserves policy.

### Officers' Recommendation

Officers have discussed the General Reserves Policy with Devon County Council's Finance team. Officers have concluded that given the uncertainty regarding D&S IFCA's future funding and the likelihood that the Local Authorities will not be able to support significant percentage increases in the levy contributions, it is more important now than in previous years to hold Reserves at 25% of Revenue Budget. The General Reserves would be necessary to support D&S IFCA if no Revenue Budget was agreed for 2025/26 and ensure it meets its financial obligations including with creditors.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers**

- Agenda Item 7 (December 2020 Authority Meeting)
- Authority meeting minutes (D&S IFCA Website Resource Library)

End.