

Appendix 11 - Balances & Reserves Policy - Assessment of General Fund Reserves Requirement

Assessment of General Fund Reserves Requirement	Minimum Level 2021/22 (£ million)	Maximum Level 2021/22 (£ million)	Minimum Level 2020/21 (£ million)	Maximum Level 2020/21 (£ million)	Principal Reasons for Requirement
General financial climate to which the Council is subject	1.5	5.0 (+0.5)	1.5	4.5	In recent years the Local Government finance settlement has presented increases in funding for Local Government, with the Spending Review in 2019 announcing the end of austerity. However, as the Government continues to borrow for pandemic related pressures, it is possible Government will look to reduce funding in the future to finance the current level of borrowing.
The overall financial standing of the authority	1.0	2.0	1.0	2.0	To manage adverse movement in the Council's financial standing
Estimates of level of locally raised income	2.0	4.0 (+1.0)	2.0	3.0	Locally raised income accounts for approximately 80% of corporate funding, with the impacts of COVID-19 being felt across households and businesses, this requirement has been increased by £1.0m.
The treatment of planned efficiency savings / productivity gains	1.0	4.0	1.0	4.0	To manage risk around slippage of the Council's major savings programme, in response to a growing demographic and inflationary pressures.
The treatment of inflation and interest rates	2.0	2.5	2.0	2.5	Assumptions have been refreshed to reflect latest intelligence, however, an element of risk exists due to a level of inherent uncertainty in these areas.
The financial risk inherent in major contract arrangements	1.5	4.5	1.5	4.5	To manage any impact of services arising from supplier risk, particularly in respect of Social Care provision
The treatment of demand led pressures	2.0	4.0	2.0	4.0	Increased demand for services from an aging and increasing population
The financial risks inherent in any major capital developments	1.0	2.5	1.0	2.5	Inherent risks due to significant level of investment within the Capital Programme.
Estimates of the level and timing of capital receipts	1.0	2.0	1.0	2.0	Slippage on asset disposal programme could lead to increased borrowing
The availability of reserves and other funds to deal with major contingencies and pressures	2.0	4.5 (+1.5)	2.0	3.0	Cover for unforeseen or exceptional events over and above the budgeted provision for General Contingency, which would include any adverse impact linked to post-Brexit risks and any unfunded pressures arising from COVID-19, due to the level of uncertainty in these areas, this risk has been increased by 50%.
Unallocated GF Reserves	15.0	35.0 (+3.0)	15.0	32.0	