

EARMARKED FUNDS POLICY 2015/16**General County Fund**

The level of the General County Fund will be consistent with the overall financial environment and the key financial risks faced by the County Council. This risk assessment will be carried out at least annually and will take account of circumstances at the time and the corporate risk register. Any funds in excess of the assessed amount will in the first instance be used to fund one off/time limited expenditure (capital and revenue including invest to save and pump priming initiatives) and secondly to support recurring revenue expenditure over the medium term, subject to the key consideration of sustainability.

The benefit of holding non earmarked funds is that the County Council can manage unforeseen financial events without the need to make immediate offsetting savings, with the potential real impact this could have on users of County Council services.

Based on an assessment of risk, the target level for the county fund is within the range of 4% to 5% of net expenditure (excluding schools). The forecast balance of £14.8m (4.2%) is also within that range. In reviewing the level of the County Fund and contributions to and from the fund, the Cabinet will take the advice of the Director of Corporate Resources.

Earmarked Funds

Earmarked funds are held for six main reasons. The key factors that determine their level are set out below:-

- Insurance fund – to meet the estimate of future claims to enable the Council to meet the excesses not covered by insurance.
- Renewals – to enable services to plan and finance an effective programme of vehicle and equipment replacement. These earmarked funds are a mechanism to smooth expenditure on asset replacement so that a sensible replacement programme can be achieved without the need to vary budgets. It should be noted that those Departments which do not currently hold renewals funds will be encouraged to do so.
- Carry forward of underspend - some services commit expenditure to projects, but cannot spend the budget in year. Earmarked funds are used as a mechanism to carry forward these resources. An example of this type of fund is the Central Maintenance Fund.
- Trading accounts - in some instances surpluses are retained by the traded service for future investment.
- Other earmarked funds will be set up from time to time to meet known or predicted liabilities or to meet capital or project based revenue expenditure.
- To support transformational change and internal restructuring.

The main benefits of holding these earmarked funds are set out above.

The Chief Financial Officer has the authority to take decisions relating to the insurance and other earmarked funds. In terms of other earmarked funds they can only be established and managed with the agreement of the Chief Financial Officer.

The renewals earmarked funds and those relating to the carry forward of underspends will be managed and operated by departments. However, they can only be established with the approval of the Chief Financial Officer or the Executive, as set out in the Constitution.

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.

Monitoring Policy

The level of earmarked funds and balances are monitored regularly throughout the year. Reports will be taken to members as part of the MTFS, an update in the autumn and at year end.