

EARMARKED FUNDS POLICY 2013/14**County Fund**

The level of 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 Statement of Internal Control. 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 2% to 3% of net expenditure (excluding schools). The forecast balance of £10.4m (2.9%) 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 will be for six main reasons. The key factors that determine their level are set out below:-

- Insurance earmarked 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 reserve 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 Director of Corporate Resources 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 Director of Corporate Resources.

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 Director of Corporate Resources or the Executive, as set out in the Constitution.

Schools Earmarked Funds

The funding framework for schools requires them to carry forward any over or underspend. Schools retain balances firstly, as a contingency against financial risks and secondly, to enable them to establish effective strategic financial planning.

The local authority through the Schools Forum can adopt a scheme to control school balances but no longer are required to have such a mechanism. The Leicestershire Schools Forum approved a change to the Scheme for Financing of Schools which removed the balance control mechanism in June 2013 to be consistent with the policy for academies where no such mechanism is in place.

Monitoring Policy

The level of earmarked funds and balances are monitored quarterly throughout the year. Reports will be taken to members at the end of quarter 2, when the next MTFS budget is approved and when the outturn is reported.