

Adequacy of Reserves and Balances

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Reserves and Balances

- Legislative and regulatory framework
- Codes of Practice
- Types of Reserves
- CFO Principles of Assessment



Legislative and Regulatory Framework

- Balanced budget requirement: Sections 31A – 42A of Local Government Finance Act 1992
- CFO duty to reflect on robustness of estimates and adequacy of reserves – Section 25 of Local Government Act 2004 when considering budget requirement
- Proper administration of their financial affairs and responsibility for the administration of those affairs – S151
- Requirement to report to Members if there is likely to be unlawful expenditure or unbalanced budget, including where reserves have become depleted and the authority does not have resources to meet expenditure (s114).

Codes of Practice

- External Auditors confirmation – no material uncertainties – Going Concern
- CIPFA Prudential Code – CFO report on affordability in recommending Capital programme – include level of long term revenue commitments
- IFRS – Local Authority Accounting – Movement in Reserves Statement – movement in the year for useable and unusable reserves



Types of Reserves

- Working balances – impact of uneven cash flows and avoid temporary borrowing
- Contingency to cushion impact of unexpected events and emergencies
- Means of building up funds – earmarked reserves to meet known or predicted requirements



CFO Principles for Assessment

- Estimates of the level and timing of capital receipts
- Treatment of Demand Led pressures
- Treatment of Planned Efficiency savings/Productivity gains
- Availability of reserves, Government Grants to address major contingencies and adequacy of provision
- General financial climate