

<b>REPORT TO EXECUTIVE</b>		<b>REPORT NO. 9</b>
<b>Date of Meeting</b>	12th July 2007	
<b>Title of Report</b>	Reserves Policy	
<b>Portfolio</b>	Budget	
Key Decision	No	
Executive Workplan Ref	B333	
Public Report	Yes	

### Summary of Report

To set out, for the Executive's approval, a policy and strategy in relation to the Council's financial balances and reserves.

### Officer Recommendations

That the Executive,

- 1 Adopt the policy in relation to Balances and Reserves as provided at Annex 1;
- 2 Approve the proposed strategy for the use of Balances and Reserves for the purposes of the development of the Financial Strategy for 2008/11 (Annex 2) and note that, in accordance with statutory requirements, it will be reviewed as part of the Council's annual budget setting process.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	No	No	None

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## 1. Introduction

- 1.1 During the creation of the 2007-08 budget, the Council (February 2007) adopted a risk approach to the level of General Fund Balances. In addition, as part of the closure of the 2006-07 accounts, a full review of Earmarked Balances was undertaken, the results of which were agreed by the Final Accounts and Audit Committee (June 2007). The purpose of this report is to bring these strands together, and develop them into a policy and strategy in relation to the Council's financial balances and reserves.

## 2. Options and Options Appraisal

- 2.1 Option 1: To agree the recommendations;
- 2.2 Option 2: To not approve the recommendations. If this were the case, the Council would be badly placed to demonstrate continuous improvement.

## 3. Background Information

### Policy in Relation to Financial Reserves and Balances

- 3.1 The Use of Resources Assessment, which is an annual assessment of, amongst other things, the Council's financial management arrangements, requires that:-

*'the Council's policy for reserves is based on a thorough understanding of its needs and risks, and is properly and clearly reported to Members'*

- 3.2 Provided at **Annex 1** is a draft policy in relation to the Council's Balances and Reserves. The policy seeks to:-

- outline the legislative and regulatory framework underpinning the creation, use and assessment of the adequacy of reserves;
- identify the principles to be employed by the S151 Officer in assessing the adequacy of the Council's balances and reserves;
- indicate how frequently the adequacy of the Council's balances and reserves will be reviewed;
- set out the governance arrangements relating to the creation, amendment and use of reserves and balances.

### Strategy for the Use of Financial Reserves and Balances

- 3.3 To complement the policy in relation to the Council's financial reserves and balances, there is a need to have a strategy which sets out how the Council intends to utilise its reserves as part of the overall Financial Strategy. To this end, a proposed Strategy for the use of the Council's financial reserves and balances is provided at **Annex 2**.
- 3.4 The Use of Resources Assessment also requires the Council to establish and maintain under review target levels of reserves and balances and, where these are exceeded, that this is identified and reported to Members setting out the opportunity costs of maintaining the level of reserves/balances compared to the benefits that are accrued.

To this end, Annex 1 to the Strategy provides a forecast of the level of reserves anticipated and will be used as the target level of reserves and balances against which an assessment of the opportunity costs and benefits will be made.

#### **4. Financial Implications**

4.1 There are no direct financial implications arising from the contents of this report. The report seeks to establish the Council's policy in relation to Balances and Reserves whilst also setting out a future strategy for the use of these resources. This will form part of the Council's overall Financial Strategy which is currently being prepared and will be presented for consideration by Members in due course.

#### **5. Legal Implications**

5.1 The legal and regulatory issues relating to balances and reserves are set out in the policy document attached at Annex 1.

#### **6. Risk Analysis**

6.1 The Council operates in an environment where there are financial risks and therefore has to have in place arrangements to manage those risks effectively so that they do not impact on the delivery of Council services. The policy in relation to Reserves and Balances seeks to formalise current arrangements and provide a mechanism for managing financial risks.

<b>Annexes:</b>	<ul style="list-style-type: none"> <li>• Annex 1 – Policy in relation to the Council's Financial Reserves and Balances</li> <li>• Annex 2 – Strategy for the Use of Financial Reserves and Balances 2008/11</li> </ul>
<b>Background Documents Used in the Preparation of this Report:</b>	<ul style="list-style-type: none"> <li>• Working papers</li> </ul>

#### **Previous Decisions Connected with this Report**

<b>Report</b>	<b>Committee &amp; Date</b>	<b>Minute Reference</b>
Budget Proposals 2007-08	Council February 22, 2007	
Final Accounts and Audit Committee	Statement of Accounts 2006-07	