

## Report of the Portfolio Holder for Corporate Services and Assets

### TEMPORARY RESERVES, RETAINED FUNDS and PROVISIONS

#### EXEMPT INFORMATION

None

#### PURPOSE

To seek Member approval for the establishment or retention of Temporary Reserves, Retained Funds and Provisions, to write back to balances those reserves that have been identified as no longer being required.

This is a key decision, as it would result in expenditure in excess of £50,000.

#### RECOMMENDATIONS

That Cabinet be asked to approve:

1. in principal the creation/retention of Temporary Reserves as detailed in this report and consider whether a spending plan against each of the individual reserves will be required;
2. that should the actual outturn level adversely vary from the predicted outturn, adjustments will be made and Members may be asked to review the creation of these reserves;
3. the write-back of reserves identified at APPENDIX D as no longer being required in the sum of £92,381 to General Fund Balances, to support the Medium-Term Financial strategy.

#### EXECUTIVE SUMMARY

In line with the approved policy, this report seeks approval for both the establishment of new reserves and retained funds to enable funds to be carried forward at the end of the current financial year. Due to the current economic and financial position, temporary reserves requests have only been considered for approval in exceptional circumstances. In all instances, the relevant manager has requested such approval and this report summarises those received.

#### Policy, Capital & Revenue Budget – Background

An updated Revenue Reserves Policy Statement governing the way in which reserves are created, maintained and utilised, was adopted by Cabinet on 1<sup>st</sup> December 2010.

## Implications of the Report

A summary of the requests is provided in **Appendix A**.

The proposals in this report will result in the estimated establishment of,

Category	Projected Balance on Existing Reserves at 31 <sup>st</sup> March 2013	Proposed Transfer for Year	Proposals for Write-back	Balance Carried Forward into 2013/14
	£	£	£	£
Temporary Reserves	1,043,070	355,626	(23,702)	1,374,994
Retained Funds	1,656,893	742,307	(30,000)	2,369,200
Provisions*	98,187	-	(38,679)	59,508
<b>Totals</b>	<b>2,798,150</b>	<b>1,097,933</b>	<b>(92,381)</b>	<b>3,803,702</b>

*\*Excludes Provisions Held for Bad Debts*

A review of existing reserves in February 2013 has identified that £92,381 is available for write back to General Fund Balances (shown at **APPENDIX D**). Cabinet are requested to approve the write-back of this sum to General Fund Balances to support the Medium Term Financial Strategy approved by Council on the 26<sup>th</sup> February 2013 and to approve that this sum is not available for additional revenue spending.

### RESOURCE IMPLICATIONS

All financial resource implications are detailed in the body of this report.

### LEGAL/RISK IMPLICATIONS BACKGROUND

None arising directly from this report

### SUSTAINABILITY IMPLICATIONS

None arising directly from this report

## BACKGROUND INFORMATION

A Revenue Reserves Policy Statement governing the way in which reserves are created, maintained and utilised, was adopted by Policy and Resources Committee on 23rd February 1999 and updated by Cabinet on the 1<sup>st</sup> December 2010.

Temporary reserves may be established to carry forward funding for a specific project from one year to the next (on one occasion only).

Specific Cabinet approval is required for creation of a Temporary reserve and any balances remaining at the end of the subsequent year will be returned to general balances and the reserve deleted unless specific approval has been sought to retain the reserve for a further year.

Retained Funds may be established to carry forward funding for a specific project, which has recurring but irregular expenditure patterns, where the annual budget is likely to be insufficient. These also require Cabinet approval from specified budgets.

Provisions may be established in accordance with CIPFA Code of Practice, Council policy and approval of the Executive Director Corporate Services, to set aside funds where expenditure/liability is unavoidable or virtually unavoidable but has not been formally committed.

This report seeks approval for the:

1. Establishment of temporary reserves to enable funds to be carried forward at the end of the current financial year.
2. Additional transfer of sums into Retained Funds, where appropriate.
3. Creation of Provisions.

### Consideration

As part of the final account process, the Council's managers were requested to submit details of any funds that they would require to be carried forward into 2013/14 as Temporary Reserves, Retained Funds and Provisions, though temporary reserves requests have only been considered for approval in exceptional circumstances.

This report details the responses received and summarises the financial implications.

A summary of reserve requests, to be established or retained, is shown at **Appendix A**.

Individual request forms (detailing the reason, amount and anticipated completion date for each fund) are shown at **Appendix B**.

A summary of all reserves estimated to be held by the Authority at 31<sup>st</sup> March 2013 before consideration of this report is shown at **Appendix C** for Members' information.

## Revenue Implications

- A large proportion of the temporary reserves approved as at 31<sup>st</sup> March 2012 (by Cabinet on the 4<sup>th</sup> April 2012) have been transferred to the appropriate revenue accounts for monitoring purposes during the year and have therefore been reported within the quarterly Health Check reports. Others that were not called upon have been reviewed and have been either identified for retention for another year or are redundant and can therefore be returned to balances.
- All amounts requested in this report to be carried forward as reserves, retained funds or provisions, will be included as committed expenditure in the latest projected year end outturn forecast as at the end of February which will be available shortly.

The reserves included within this report have been prepared / proposed by Managers on basis that:

- 1) Budgetary provision exists to cover the creation of the reserve;
- 2) The reserve is to meet the cost of an **unavoidable** commitment in 2013/14 (thereby restricting the transfer of potential savings to unjustifiably inflate budgets / spend in future years);
- 3) The creation of a reserve will not increase any projected overspend for individual Directorates;

and thereby allowing the creation of these reserves without adversely affecting the overall predicted outturn position of the Council.

This is to ensure that contingency reserves and balances remain at or above the levels contained within the 3-year budget, approved by Council on 26<sup>th</sup> February 2013.

Should the actual outturn adversely vary from the predicted outturn, then appropriate adjustments will be made and Members may be asked to review the creation of these reserves.

## REPORT AUTHOR

Please contact Stefan Garner, Director of Finance, extension 242 or Phil Thomas, Financial Accountant, extension 239.

## LIST OF BACKGROUND PAPERS

- ◆ Revenue Reserves Policy Statement (Policy & Resources, February 23<sup>rd</sup> 1999)
- ◆ Revenue Reserves Policy Statement (Cabinet 1<sup>st</sup> December 2010)

## APPENDICES

**A** – Summary of Establishment and Retention of Temporary Reserves, Retained Funds and Provisions.

**B** – Reserve Business Cases – Funds to be Carried Forward into 2013/14.

**C** – Existing Temporary Reserves, Retained Funds and Provisions.

**D** - Proposals for Write-Back of Unspent/Redundant funds to General Fund Balances.