

# C236- 2015

## CYNGOR SIR POWYS COUNTY COUNCIL.

### CABINET EXECUTIVE 11<sup>th</sup> December 2015

**REPORT AUTHOR:** County Councillor Wynne Jones  
Portfolio Holder for Finance

**SUBJECT:** Reserves Policy

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**REPORT FOR:** Decision

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#### **1.0 Summary**

- 1.1 The Council holds reserves so that it can meet unforeseen expenditure and to smooth expenditure across financial years. This is recognised good financial management. Reserves are also a key indicator of the Council's overall financial standing and a component of its financial management arrangements.
- 1.2 Reserves are an essential part of good financial management. They enable the Council to manage unexpected financial pressures and plan for future spending commitments.
- 1.3 It is important that the Council makes well-informed decisions about reserves, and are accountable for these to local taxpayers and service users.
- 1.4 While there is no universally appropriate level for Council reserves, the reserves held should be proportionate to the scale of future spending plans and the risks faced as a consequence of these.
- 1.5 In setting the annual budget, a further review of the level of reserves is undertaken, alongside any underspend in the current year, to make an assessment as to whether it is possible to release funding to support the following year's budget. That review is informed principally by an assessment of the role of reserves in supporting future spending plans.
- 1.6 When taking decisions on utilising reserves or not, it is important that it is acknowledged that reserves are a one-off source of funding and once spent, can only be replenished from other sources of funding or reductions in spending.
- 1.7 In addition to considering the level of reserves as part of the budget setting process and on-going financial management, a statement on the amount and purpose of reserves held is set out annually in the Council's Financial Statements.

## **2.0 Proposal**

- 2.1 To approve the Policy attached for the maintenance and use of Reserves. This policy will support the Annual Budget Setting process and the Medium Term Financial Strategy.
- 2.2 This policy has been produced to enable the Council to better manage the ongoing financial pressures, and to plan for future spending commitments.
- 2.3 Current arrangements commit to holding a budget management reserve. This is separate to the general fund reserve and exists to support the timing of the delivery of savings. Given the increasing financial challenge it is appropriate that a more strategic approach is taken to managing finances. The support provided by this reserve will be a matter for Cabinet to decide upon. In addition any overall underspend on the Council's annual revenue budget will be considered for transfer to the budget management reserve.

## **One Powys Plan**

The budget is developed within the framework of the Statement of Intent, a range of issues including community needs and resident's views, financial and inflationary pressures, performance and regulatory reviews from Welsh Audit Office, Estyn and CSSIW have all been considered. The resultant proposals are included in the plan, the council budget, and the One Powys Change Plan. This policy is an integral part of this process.

## **Options Considered/Available**

N/A

## **Preferred Choice and Reasons**

N/A

## **Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc**

The Policy will assist in the proper management and control of the Council's finances ensuring that the services delivered by the Council are appropriately funded.

## **Children and Young People's Impact Statement - Safeguarding and Wellbeing**

N/A

### **Local Member(s)**

N/A

### **Other Front Line Services**

All services areas contribute to the development of the annual budget and the Medium Term Financial Strategy.

### **Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

Finance have assisted in the development of the policy and will ensure that is it considered at budget setting and development of the Medium Term Financial Strategy.

Legal – The recommendation can be supported from a legal point of view

### **Local Service Board/Partnerships/Stakeholders etc**

The Policy supports the development of the Council's Budget and future medium term financial planning and therefore has implications for any related organisation.

### **Corporate Communications**

#### **Statutory Officers**

The Strategic Director Resources (Section 151 Officer) supports the adoption of the attached policy as an important part of the council's overall policy framework. There is evident that some local authorities have seen reserves depleted as a consequence of meeting the funding reductions forming part of the UK Government's deficit reduction programme. In order to meet statutory requirements an effective reserves policy is required.

The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report."

#### **Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
That Cabinet approves the Reserves Policy attached to the report.	That the level of reserves held and maintained by the Council is necessary and appropriate for the risk (both internal and external) to which it is exposed. And that reserves are a component of its financial management arrangements.

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>N/A</b>	<b>Within Budget:</b>	<b>N/A</b>

<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	<b>Strategic Director - Resource</b>
<b>Date By When Decision To Be Implemented:</b>	<b>11<sup>th</sup> December</b>

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
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**Background Papers used to prepare Report:**

Local Government Act 1992