



AUDIT COMMITTEE REPORT

Report Title	Schedule of Reserves and Risk Assessment of Reserves
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	19 March 2012
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To present the schedule of reserves and risk assessment of reserves to the Audit Committee for information.

2. Recommendations

2.1 To note the contents of the report.

3. Issues and Choices

3.1 Report Background

3.1.1 At its meeting in January 2012 the Audit Committee asked for a report on reserves, including earmarked reserves to be brought to its next meeting.

3.1.2 Reserves may be cash or non cash, the latter being mainly a form of technical record for balance sheet accounting.

3.2 Issues

3.2.1 Under the Local Government Act 2003 (section 25) the Chief Finance Officer is required to report to Council each year on the adequacy of reserves held by the authority. In order to assess the adequacy of reserves a risk assessment of General Fund Balances and a review of earmarked reserves is carried out annually as part of the budget process.

- 3.2.2 The Risk Assessment of Reserves for 2012/13 for general fund balances and the HRA working balance can be found at **Appendix 1**. A more detailed working paper supports this summary, which identifies the likely level of financial exposure in relation to specific risks under each heading and makes an adjustment to it for the probability of the risk event occurring. The total of the risk adjusted values for all these areas gives the risk assessed level of general fund balances it is recommended that the Council holds. A similar exercise is conducted for the HRA balances.
- 3.2.3 Earmarked reserves are held:
- to mitigate against more certain, known risks;
 - where funding has been given to the Council conditionally (for example as a grant or a bequest); or
 - where the Council wishes to set aside funding for specific reasons.
- 3.2.4 **Appendix 2** presents an estimate of the position on the Council's general fund earmarked reserves at the end of this financial year, and the expected position for the end of 2012/13.
- 3.2.5 Funding set aside in an earmarked reserve should only be used for the defined purpose of that reserve for as long as it is deemed necessary to hold the earmarked reserve.
- 3.2.6 A schedule of capital and HRA reserves as at 31 March 2011 is shown at **Appendix 3** for information. These reserves are ring fenced to capital and HRA, and cannot be used for other purposes.
- 3.2.7 A schedule of technical reserves as at 31 March 2011 is shown at **Appendix 4** along with a brief explanation of the nature of the reserve.

3.3 Choices (Options)

- 3.3.1 The Committee is invited to discuss and note the report.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no specific policy issues arising from this report.

4.2 Resources and Risk

- 4.2.1 Under the Local Government Act 2003 the Chief Finance Officer is required to report to Council each year on the adequacy of reserves held by the authority.

4.3 Legal

- 4.3.1 There are no specific legal issues arising from this report.

4.4 Equality

- 4.4.1 There are no specific equalities issues arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Not applicable

4.6 Other Implications

4.6.1 There are no other issues arising from this report

5. Background Papers

5.1 Local Government Act 2003

5.2 Risk Assessment of Reserves 2012 to 2015

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