



CABINET

11 JUNE 2013

SECTION 151 OFFICER: MATT BOWMER

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE, PERFORMANCE
AND LGSS: COUNCILLOR BILL PARKER**

Subject:	2012-13 Reserves and Provisions
Recommendations:	<p>Cabinet approves the level of earmarked and general reserves, and notes the level of provisions.</p> <p>Cabinet approves the earmarked reserve request amendments as set out in Appendix A.</p>

1. Purpose of Report

1.1 The purpose of this report is to approve the level of reserves held by the Council at the end of March 2013, and to note the level of provisions.

2. Relevant Priority Outcomes

2.1 The content of this report supports the delivery of the following corporate outcomes:

Perspective	Outcome
Finance – to finance our vision, what must we do efficiently, effectively and economically?	<ul style="list-style-type: none"> • Maximised income and new funding mechanisms • Exploited fixed assets • Targeted spend and investments • Sustainable social resourcing

3. Background

3.1 Reserves are an essential part of good financial management. They help to plan for future spending commitments and to cope with unpredictable financial pressures.

3.2 The Council’s Reserves Policy states that the level of reserves should be determined by taking account of the strategic, operational and financial risks facing the authority. Specifically, the Council is required to maintain general reserves sufficient to cover the key financial risks that it faces, as expressed in its financial risk register.

3.3 Provisions are required to be made by the CIPFA Code of Practice where an authority has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

4. Consultation and Scrutiny

4.1 This report has been produced in consultation with corporate directors, assistant directors and budget managers.

5. Outturn Position 2012-13

5.1 The Council's financial outturn position for 2012-13 is a £611k underspend, and is reported to Cabinet in a separate report elsewhere on the agenda. This report also contains a more detailed analysis of the breakdown of this position.

6. Reserves

6.1 Determining and maintaining reserves is a requirement of the Council's Financial Regulations, as set out in the Constitution. How reserves are determined and maintained is governed by the Financial Reserves Policy, which was approved by Cabinet in February 2012.

6.2 Useable reserves can be categorised in two ways:

- General Reserves which are a contingency to cushion the impact of unexpected events or emergencies and
- Earmarked Reserves which are generally built up to meet known or predicted liabilities.

6.3 The Council's forecast level of reserves at 31st March 2013 are shown at Appendix B. These are inclusive of proposals outlined in Appendix A, which shows some amendments to the amounts previously agreed by Cabinet in April 2013.

6.4 The closing General Reserve balance, based on the current outturn report, is anticipated to be £12.957m. Movements on the general reserve for 2012-13 are shown in greater detail at Appendix C.

6.5 As per the Chief Financial Officer's Section 25 report presented to Council in February 2013, £12m should represent the minimum prudent level of general reserves for the coming year.

6.6 Earmarked reserves shown at Appendix B are expected to be £57.7m as at March 31st 2013, and Schools reserves £52.1m.

7. Provisions

7.1 Provisions are also monies set aside for future use, however they are different from reserves in that a provision has to be set up if the Council has a known current liability resulting from a past event. The provision reflects a reasonable estimate of a liability.

7.2 Provisions have been made for eleven non-schools items, which are set out in Appendix D. The calculated values of each of these provisions are subject to external audit review.

8. Alternative Options Considered

8.1 It is considered as best practice to brief members and report the latest budgetary position to Cabinet on a regular monthly basis, rather than less frequently (for example, quarterly) or not at all. It also demonstrates the Financial Regulation requirements to ensure the provision of financial information and monitoring compliance with financial management standards.

9. Financial Implications

9.1 The financial implications of this report are set out in sections 5 to 7 above.

10. Risk and Business Continuity Management

10.1 The level of the Council's General and Earmarked reserves are based on an assessment of the financial risks faced. These risks were reviewed as part of the February 2013 Budget Report.

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The Council overspends its budget resulting in: <ul style="list-style-type: none">• an inability to deliver its 2013-14 plan• reducing resources available for future pressures	Robust financial management processes culminating in regularly reporting on the financial position to Cabinet. The financial management process provides officers with the data to enable the formulation of plans to mitigate pressures and take further steps as required to ensure the delivery of a balanced budget at year end.	AMBER

11. List of Appendices

11.1 Appendix A – Carry Forward and Earmarked Reserve Requests
Appendix B – Earmarked Reserves Statement
Appendix C – General Reserves Movement
Appendix D – Provisions

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Background Papers:	Business Objects Planning monitoring returns, Head of Service Reports, Government Budget
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	YES
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: ALL YES
Has the report been cleared by the relevant Director?	YES Section 151 Officer: Matt Bowmer
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Bill Parker
Has the relevant scrutiny committee been consulted?	SCHEDULED Scrutiny Committee: Finance improvement and performance working group
Has the report been cleared by Legal Services?	YES Name of solicitor: Shahin Ismail Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Has an Equalities Impact Assessment been carried out in relation to this report?	NO
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL