



REPORT TO: MORAY COUNCIL ON 31 OCTOBER 2018

SUBJECT: FINANCIAL RESERVES POLICY

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 The purpose of this report is to seek Council approval for the Council's revised Reserves Policy.
- 1.2 This report is submitted to Council in terms of Section III (A) (2) of the Council's Scheme of Administration relating to regulating and managing the finances of the Council in accordance with the policies determined by the Council and preparing and reviewing from time to time such rules as may be necessary for the proper administration of the Council's financial affairs.

2. RECOMMENDATION

2.1 It is recommended that Council:

- (i) **approves the attached Reserves Policy as detailed in the APPENDIX to this report; and**
- (ii) **agrees that the next review will be no later than October 2021.**

3. BACKGROUND

- 3.1 Members consider the purpose and use of reserves as part of the financial planning process for the preparation of the Revenue Budget. The Policy and Resources Committee on 7 June 2016 (paragraph 8 of the minute refers) approved the current Reserves Policy, and agreed that it would be reviewed no later than October 2018.
- 3.2 The Reserves Policy covers four main areas:
- The types of reserves operated by the Council
 - The statutory and governance requirements
 - The arrangements for reporting and review
 - The minimum level of free reserve

- 3.3 The approach to setting the minimum level for reserves has been to follow CIPFA advice on the setting of a minimum reserves position, which is to take into account the strategic, operational and financial risks facing the council. In light of the reducing balance of reserves and the pressure on the council's budget, it is particularly important that consideration is given to the specific risks the council may face and the financial implications of these. Therefore, consideration has been given to the major risks set out in the corporate risk register (reported to council on 6 June 2018) and as set out in section 6 of the appendix. Taking this approach confirmed the current view that a free general fund reserves balance of £5m or 2.5% is necessary.

4. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The Reserves Policy supports the Financial Planning Strategy which is aligned to the Corporate Plan.

(b) Policy and Legal

This policy is in accordance with CIPFA and LASAAC guidance on Local Authority Reserves and Balances published July 2014.

(c) Financial implications

There are no financial implications arising directly from this report. The report recommends continuation of the Council's current policy of maintaining free reserves of £5 million.

(d) Risk Implications

The management of financial risk is one of the key strategic risks facing the Council and this policy will assist the Council in managing that risk.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact

This report is not proposing new services, or strategies, or plans (or significant changes to or reviews of them). This report therefore has not been assessed for equalities impacts.

(h) Consultations

Corporate Management Team and the Audit Manager have been consulted and their comments incorporated into this report.

5. CONCLUSION

5.1 Best Practice requires the Council to have a Reserves Policy which is regularly reviewed and which specifies the guidance which influences the financial strategy during the budget preparation process.

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Background Papers:
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