



REPORT TO: MORAY COUNCIL ON 15 SEPTEMBER 2021

SUBJECT: FINANCIAL RESERVES POLICY

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To seek approval of the Council's updated financial reserves policy.
- 1.2 This report is submitted to Committee in terms of Section III (B) (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 Financial Reserves Policy attached as APPENDIX 1 to this report; and**
- (ii) **agrees that the next review will be no later than October 2024.**

3. BACKGROUND

- 3.1 Members consider the purpose and use of financial reserves as part of the financial planning process, culminating in the approval of the Revenue budget for the year ahead. A formal Reserves Policy was approved by Policy and Resources Committee on 7 June 2016 (paragraph 8 of the Minute refers) and a revised policy approved by Council on 31 October 2018 (paragraph of the Minute refers). At that meeting it was agreed that the policy would be reviewed no later than October 2021.
- 3.2 CIPFA and LASAAC provide guidance on financial reserves. This guidance was last updated in 2021. The review followed the principles set out in the guidance.
- 3.3 The Reserves Policy covers four main areas:
- The types of reserve operated by the Council;

- The statutory and governance requirements;
- The arrangement for reporting and review;
- The minimum level of free general reserve.

3.4 The approach to setting the minimum level of free general reserve continues to be to have regard to the strategic, operational and financial risks facing the Council. The latest update of the Corporate Risk Register was reported to Education, Communities and Organisational Development Committee on (paragraph of the Minute refers). Consideration of the major risks set out in the revised Risk Register have been reviewed in section 6 of the Policy and a limit of £5 million is recommended.

3.5 The review falls due to be undertaken at a time when the Council has an unprecedented level of General Reserves, much of it ear-marked for specific purposes. A further report to this meeting of Council recommends further transfer from free general reserves to ear-marked reserves for transformation of Council services and for Council priorities.

4. SUMMARY OF IMPLICATIONS

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

The Reserves Policy supports the Council's short to medium and medium to long term Financial Strategies, which are aligned with the Corporate Plan.

(b) Policy and Legal

This policy is in accordance with CIPFA and LASAAC guidance: the Statutory Basis for Accounting for and Disclosing Reserves in Scottish Local Government Bodies 2021. The guidance is mandatory and ensures compliance with section 12 of the Local Government (Scotland) Act 2003.

(c) Financial implications

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

(d) Risk Implications

This policy will assist the Council to manage financial risk to the Council.

(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

There are no implications for equalities or the socio-economic duty arising from this report.

(h) Consultations

CMT and the Internal Audit Manager have been consulted in the preparation of this report.

5. CONCLUSION

- 5.1 It is best practice for the Council to have and to regularly review a Reserves Policy, which informs the Financial Strategies and financial planning process of the Council.**

Author of Report: Lorraine Paisey, Chief Financial Officer

Background Papers:

Ref: