

Directorate of *Corporate Services*



The Council of the Borough of
OSWESTRY

<u>Meeting and Date</u> Audit Committee 2 July 2009 Council 16 July 2009	<u>Item</u> 5	<u>Report Ref</u> C9
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RESERVES PROVISIONS AND BALANCES 208/09

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List of Appendices to this Report

None

SUMMARY

This report provides members with details of the one off resources currently held as reserves, provisions and balances by the authority as at 31 March 2009, taking account of the outturn position for 2008/09.

The total of the Council's revenue reserves, provisions and balances at the end of March 2009 stood at £8.130m, whilst the total of useable capital receipts stood at £1.834m, an analysis is provided at paragraph 1.4.

RECOMMENDATIONS

1. That the Audit Committee recommends that Full Council:
 - A. Note the level of the authority's reserves, provisions and balances and the purpose for which they are being held.
 - B. Note that due to the creation of a new Unitary Authority for Shropshire, on 1 April 2009, it is no longer necessary for the Council to hold balances in the following reserves, as a result the sums held in these reserves have been transferred the Oswald Park Reserve or VER reserve; Civic Regalia Reserve; Efficiency Reserve; Emergency Planning Reserve; Homelessness Reserve; Insurance Reserve; Planning Appeals Reserve; Station Building Reserve.

FINANCIAL/RESOURCE IMPLICATIONS

As set out in the body of report.

1. RESERVES, PROVISIONS AND BALANCES

1.1 The definition of reserves and provisions is set out in Financial Reporting Standard 12, a provision should be established when:

- i) The Council has a present obligation as a result of a past event, and
- ii) A reliable estimate can be made of the likely cost to the Council.

A reserve should be established when:

- i) There is a possible obligation as a result of a past event, and
- ii) The likely cost to the Council cannot be measured with sufficient reliability.

1.2 These definitions are for accounting purposes. The important issue for Members in looking forward is whether or not the reserves and provisions, taken together with the Council's general balances, are sufficient to meet the cost of fulfilling the obligations for which these reserves and provisions were established. If those obligations have been met, it is good practice to release the reserve or provision. The funds released are then available for other uses.

1.3 At Council on 25 October 2005 the policy on reserves and provisions was approved, included within this policy is that the authority should provide sufficient monies in specific provisions and reserves to meet known and estimated future liabilities.

1.4 An analysis of the authority's revenue reserves, provisions and balances as at the end of March 2009 is provided in the table below:

Reserve/Provision/Balance	As At 1st April 2008 £000	Movement During 2008/09 £000	As At 31st March 2009 £000
Reserves			
<i>General Fund</i>			
Capital Reserve	367	(301)	66
Civic Regalia Reserve	6	(6)	0
Efficiency Reserve	615	(615)	0
Emergency Planning Reserve	20	(20)	0
Homelessness Reserve	10	(10)	0
Insurance Reserve	275	(275)	0
Economic Development Reserve	149	(117)	32
Local Plan Reserve	217	(57)	160
Oswald Park Reserve	2,551	(680)	1,870
Planning Appeals Reserve	64	(64)	0
Voluntary Early Retirement/Severance Reserve	0	117	117
Community Bids Reserve	0	83	83
Station Building Reserve	20	(20)	0
	4,294	(1,965)	2,328
<i>HRA</i>			
Housing Major Repairs Allowance Reserve	2,001	(498)	1,503
Housing Repairs Reserve	718	(118)	600
	2,719	(616)	2,103
	7,013	(2,581)	4,431
Provisions (General Fund)			
Contract Retention Provision	144	32	176
Housing Benefit Hardship Provision	8	(8)	0
Whittington Castle Provision	0	49	49
S106 Interest Provision	68	5	73
	220	78	298
Balances			
Collection Fund Balance	61	(77)	(16)
General Fund Balance	191	(191)	0
Housing Revenue Account Balance	645	(12)	633
	897	(280)	617

In addition to these revenue reserves, provisions and balances the authority held £1.834m in useable capital receipts at the end of March 2009. These are sums generated from the sale of assets, e.g. land, buildings etc. and can only be spent on capital projects. In addition to these useable capital receipts the authority holds reserved capital receipts, these sums can only be used to repay outstanding debt and are not available for any other purpose.

- 1.5 In accordance with the provisions of the Local Government Act 2003 (section 25), the Section 151 Officer is required to report on the adequacy of the proposed financial reserves. Given the level of specific reserves and provisions and the level of general balances, as set out in paragraph 1.5 above, the Section 151 Officer considers that the overall level of balances is sufficient to meet the likely level of obligations to be met from balances.
- 1.6 An explanation of each of the authority's reserves, provisions and balances is set out in the remainder of this report.

- 1.6.1 **Capital Reserve**; the majority of this reserve is committed to funding the 2008/09 capital programme. The balance is available to help fund committed capital projects. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a general balance against this reserve, as a result any uncommitted balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.
- 1.6.2 **Civic Regalia Reserve** set aside to fund the maintenance and renewal of Civic Ceremonial items and dress and to fund Civic events. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement / Severance Reserve.
- 1.6.3 **Efficiency Reserve**; established to allow pump priming and investment in new developments and initiatives, where the main aim is to generate efficiencies and savings in the future. During 2008/09, through the monitoring reports to cabinet, the financing of the capital works on the refurbishment of the Castle View offices was approved to be funded from this reserve, as well as the financing of the Council's 'Buzzin' newsletter, and £80,000 to the Community Scheme reserve. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.
- 1.6.4 **Emergency Planning Reserve**; available to fund any expenditure arising from an emergency within the borough that could not be contained within budgets. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve
- 1.6.5 **Homelessness Reserve**; available to fund accommodation should levels of homelessness within the borough exceed the levels that can be accommodated within budget. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Oswald Park Reserve.
- 1.6.6 **Insurance Reserve**; this is available to meet the cost of excesses against any insurance claims made by the authority. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement / Severance Reserve.
- 1.6.7 **Local Plan Reserve**; the authority is required to update the Local Plan every 4 years, annual contributions are made into this reserve so that sufficient reserves are available in the year that the plan is updated. Work is currently in progress to update the currently Local Plan.
- 1.6.8 **Oswald Park Reserve**; set aside to part fund the project to develop new Leisure facilities at Oswald Park following Council's decision to progress to the next stage of this project. Following the review of reserves mentioned in this report considerable reserve balances have been transferred into the Oswald Park Reserve in 2008/09. These contributions have offset some of the expenditure made on the project during the year. Council approval to pay early retirement payments before 31 March has necessitated the transfer of £580,376 into the Voluntary Early Retirement / Severance reserve, this will be replaced by Shropshire Council enabling the scheme to be implemented.

- 1.6.9 **Planning Appeals Reserve**; available to fund the cost of any significant planning appeals that can not be accommodated within existing budgets. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement /Severance Reserve.
- 1.6.10 **Voluntary Early Retirement/Severance Reserve**; Council approval to pay early retirement payments before 31 March has necessitated the use of this reserve to fund the one off costs associated with the unitary restructure. The balance of the reserve is available to help meet the one-off costs arising from future approved staffing reductions as part of the unitary process.
- 1.6.11 **Economic Development Reserve**; this reserve was established using grant from the Department for Communities and Local Government and is available to support the work of the Economic Development Unit, helping to promote economic growth within the Borough.
- 1.6.12 **Station Building Reserve**; set aside to fund any major repairs required to the Council owned Cambrian Station Building. As there is to be a new Unitary Council in Shropshire on 1 April 2009, it is no longer necessary to hold a balance against this reserve, as a result the balance of this reserve at the end of 2008/09 has been transferred into the Voluntary Early Retirement /Severance Reserve.
- 1.6.13 **Community Bids Reserve**; set aside to fund the Council's Community Schemes as approved by Council on 2 September 2008 and 16 December 2008. The balance of the reserves will be passed to Shropshire Council to ensure completion of the schemes.
- 1.6.14 **Housing Repairs Reserve**; this represents sums set aside from within the HRA for future repairs within the authority's housing stock that can not be accommodated within existing budgets. Sums set aside from within the HRA must only be used within the HRA in the future.
- 1.6.15 **Contract Retention Provision**; any sums relating to contracts that are retained until such time as all contractual requirements are met are held within this provision.
- 1.6.16 **Housing Benefit Hardship Provision**; this provision is available to make payments to individuals who find themselves in exceptional circumstance resulting in exceptional financial difficulties. This has been fully utilised in 2008/09.
- 1.6.17 **Section 106 Interest Provision**; this new provision has been established to cover any interest payable to developers should the authority be unable to spend its Section 106 monies by the agreed deadline. Expenditure against these sums is monitored very closely to ensure that this never arises, however, it is still necessary to set these sums aside until the Section 106 monies have been spent. Once spent that element of this provision set aside relating to that particular Section 106 sum can be released back to the Council.
- 1.6.18 **Whittington Castle Provision**; Set up in the year to cover a future payment to the Trust to enable them to pay off a loan guaranteed by Oswestry Borough Council. The loan is due to be called in for repayment in 2009/10.
- 1.6.19 **Collection Fund Balance**; the balance on the account established to record income and expenditure relating to Council Tax and Business Rates. Any balance has to be shared with precepting authorities and is not available for exclusive use by this Council.

- 1.6.20 **General Fund Balance**; accumulated from underspends against general fund budgets in years past. This sum is available to meet any unplanned or unexpected net overspending on the general fund. The balance has been fully utilised in 2008/09.
- 1.6.21 **Housing Revenue Account Balance**; accumulated from underspends against HRA budgets in years past. There are significant commitments against this reserve to part fund the capital works on the Council's Housing Stock to achieve the decent homes standard by 2010. In addition to these commitments this sum is available to meet any unplanned or unexpected net overspending on the HRA.

2. **OPTIONS CONSIDERED**

- 2.1 Not applicable.

3. **REASONS**

- 3.1 It is vitally important that members are fully aware of the financial position and standing of the authority. This is particularly important when considering future budget strategies.

List of Background Papers

2008/09 Statement of Accounts

Human Rights and Equality Act Appraisal

None

Environment Appraisal

None

Risk Management Appraisal

The policy on balances set out in this report strikes an appropriate balance between having resources available to meet liabilities whilst at the same time not holding back resources which could be applied to improving services or keeping Council Tax, Rents and Fees & Charges at affordable levels.

Community / Consultations Appraisal

Not Applicable

Legal Implications / Powers

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.

Local Member/s

Not Applicable