

## Mountsett Crematorium Joint Committee

24 April 2013

### Reserves Policy

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## Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; and Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

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### Purpose of the Report

1. The purpose of this report is to set out for Members consideration a proposed Reserves Policy for the Mountsett Crematorium Joint Committee.

### Background

2. The Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel (LAAP) issued guidance notes (LAAP 77) on Reserves and Balances, making recommendations to the determination and to the adequacy of Local Authority Reserves.
3. The bulletin highlights a number of factors, in addition to the cash flow requirements that should be considered by an authority when establishing Reserve balances. These include:
  - The treatment of inflation
  - The treatment of demand led pressures
  - The general financial climate.
4. The guidance states that there has been no case made to set a statutory minimum level of reserves (either as an absolute, or as a percentage of budget) rather that advice should be sought from the Chief Finance Officer basing judgement on local circumstances.
5. In addition, The Joint Practitioners Advisory Group (JPAG), Governance and Accountability for Local Councils – A Practitioners Guide advises that earmarked Reserves which are set aside for specific purposes and for the savings of future projects should be realistic and approved by the formal decision making body, general reserves should be risk assessed and approved by the formal decision making body.

### Reserves Policy

6. Reserves are held for 3 main purposes:

- As a working balance to help cushion the impact of uneven cash flow and avoid unnecessary temporary borrowing
  - As a contingency to cushion the impact of unexpected events or emergencies
  - As a means to build up funds – earmarked reserves to meet predicted future liabilities.
7. Taking these into consideration along with the works requirements from the Service Asset Management Plan, it is proposed that the Reserves Policy of the Mountsett Crematorium Joint Committee is as follows:
- 1 To set aside sufficient sums in Earmarked reserves (Cremator and Repairs reserves) as is considered prudent for the anticipated known areas of future expenditure. As a minimum, the strategy of the Joint Committee should be to increase the value of the Cremator earmarked reserve to circa £1m in the medium term to cover future liabilities.
  - 2 Create and maintain a General Reserve of at least 30% of the Joint Committee's Income budget. (This is based on a risk assessment identifying Income as the highest financial risk element to the Joint Committee).
8. The 2013/14 revenue budget approved by members at the January meeting incorporated an Income budget of £716,500. In line with the reserve policy proposed above, this would represent a General Reserve requirement of balance of £214,950 at 30%.
9. The 2012/13 provisional outturn reports a Cremator Reserve balance (as at the 31 March 2013) of £548,193. In order to create a General Reserve, it is proposed to transfer £214,950 from the Cremator Reserve leaving a 2012/13 year end balance of £333,243 within the reserve.
10. Members will recall the previous approval of additional surplus transfers to the Cremator Reserve. Based on current performance, it could reasonably be expected that the proposed transfer to a General Reserve will not adversely affect the timeframe in which a £1m Cremator Reserve balance will be achieved (notwithstanding other capital investment plans arising from any updates to the Service Asset Management Plan)

### **Recommendations and Reasons**

11. It is recommended that:-

Members of the Mountsett Crematorium Joint Committee consider and agree the:

- 1 The Reserves Policy to set aside sufficient sums in earmarked reserves as is considered prudent for the anticipated known areas of future expenditure, including maintaining a Cremator Reserve balance of circa £1m to cover future liabilities in respect of cremator replacement.
- 2 The Reserves Policy to create and maintain a General Reserve of at least 30% of the Joint Committee's Income budget.

- 3 Transfer of the £214,950 from the Cremator Replacement Reserve to create a General Reserve at the 2012/13 year end as part of the preparation of the Annual Return and Statement of Accounts.

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## **Appendix 1: Implications**

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### **Finance**

Full details of the financial implications are included within the body of the report.

### **Staffing**

There are no staffing implications associated with this report.

### **Risk**

In setting the reserve balances, major risks regarding income receipts, financial climate, demand led pressures (such as building redevelopment/alterations) have been considered in order to ensure that future financial risks to the Joint Committee are mitigated.

### **Equality and Diversity/Public Sector Equality Duty**

There are no Equality and Diversity implications associated with this report.

### **Accommodation**

There are no Accommodation implications associated with this report.

### **Crime and Disorder**

There are no Crime and Disorder implications associated with this report.

### **Human Rights**

There are no Human Rights implications associated with this report.

### **Consultation**

Officers of Gateshead Council have been provided with a copy of the report and given the opportunity to comment/raise any detailed queries on the contents of this report in advance of circulation to members of the Mountsett Crematorium Joint Committee.

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

The proposals regarding the reserve policy contained within this report have been prepared in accordance with standard accounting policies and procedures.