

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

28 January 2013

### Report of the Director of Finance

#### Part 1- Public

#### Matters for Information

#### **1 AUDIT COMMISSION PUBLICATION – STRIKING A BALANCE – IMPROVING COUNCILS’ DECISION MAKING ON RESERVES**

The Audit Commission in December 2012 published a paper entitled ‘Striking a balance – improving councils’ decision making on reserves’.

##### **1.1 Introduction**

1.1.1 ‘Striking a balance’ presents the Audit Commission’s findings from research undertaken during 2012 on the level of reserves that councils hold and on the decisions councils make relating to them.

1.1.2 The paper is lengthy (some 43 pages) so rather than reproduce in hard copy, the paper can be found at the following link:

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/strikingabalance.pdf>

1.1.3 Recommendations that are intended to help improve councils’ decision making around reserves can be found on page 5. Questions that are intended to help elected members in their decision making and scrutiny roles can be found on pages 6 to 8.

1.1.4 Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for elected members and council officers to consider in developing medium term financial plans and setting annual budgets. Having the right level of reserves is important.

1.1.5 There is no set formula for deciding what level of reserves is appropriate – it is a matter of professional judgement. Members will be aware that reserves and more specifically the general revenue reserve is an integral part of the Medium Term Financial Strategy covering both revenue and capital budgets over a rolling ten-year period.

- 1.1.6 The reserves a council holds should be proportionate to the scale of its future spending plans and the risks it faces as a consequence of these – it's about getting the right balance appropriate to the circumstances.

## **1.2 Legal Implications**

- 1.2.1 The Audit Commission's role is to protect the public purse. They also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidenced-based analysis and advice.

## **1.3 Financial and Value for Money Considerations**

- 1.3.1 As set out in accompanying Audit Commission document, 'Striking a balance – improving councils' decision making on reserves'.

## **1.4 Risk Assessment**

- 1.4.1 As set out in accompanying Audit Commission document, 'Striking a balance – improving councils' decision making on reserves'.

Background papers:

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Nil

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