

Cherwell District Council

Budget Planning Committee

Date of Meeting 25 January 2022

Reserves Review

Report of the Director of Finance

This report is public

Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2022/23 and the Medium-Term Financial Strategy (MTFS) 2022/23 – 2026/27.

1.0 Recommendations

The meeting is recommended:

- 1.1 to note the outcome of the review of reserves and the forecast over the MTFS period.
- 1.2 to provide the Executive with feedback on whether the Committee supports the draft reserve allocations.

2.0 Introduction

- 2.1 The Council undertakes a review of its reserves at least annually. The reserves are divided into the following strategic pots:
 - General Balances
 - Earmarked Reserves
 - Revenue Grant Related Reserves
 - Capital Reserves

This report delivers the outcome of the review for 2021/22 for inclusion in the Budget and Medium-Term Financial Strategy 2022/23 – 2026/27 report which will be taken to the Executive and Council in February 2022.

3.0 Report Details

- 3.1 Council approved the Reserves Policy (attached at Appendix 1 for reference) at its meeting in February 2021 and since then the Executive has been consulted on proposed movements to and from reserves regularly as part of the monthly

performance reporting. A further review has taken place to consider the forecast use of reserves to ensure the Council retains a prudent level of reserves over the medium term.

- 3.2 The review was carried out in a number of stages:
1. understanding what plans there were to spend reserves that were held over the next five years
 2. considering what level of general balances CDC should hold, based on a risk assessment
 3. identifying those reserves that are ringfenced as they have specific grant objectives to deliver
 4. considering what strategic earmarked reserves CDC should hold

3.3 After carrying out a risk assessment, it is proposed that the Council increases its level of general balances to £6m, an increase of £0.5m on the current balance of £5.5m. This will be achieved by making a contribution to reserves in 2022/23. Additional contributions to Strategic reserves are also included in the draft budget for 2022/23:

- Projects Reserve - increase of £1m to fund future projects the Council wishes to pursue.
- Redundancy Reserve - increase of £0.25m to meet future redundancy or pension fund strain costs that may be incurred
- Funds originally earmarked for the Growth Deal (£0.742m) will now be funded from S106 receipts and so this amount has been transferred to the Projects Reserve

A summary of the outcome of the reserves review can be seen in Table 1 and the detailed reserves anticipated to be held by the Council can be seen at Appendix 2.

Table 1: Overview of reserves

	Actual Balance 1 April 2021	Forecast Transfer TO Reserves	Forecast Transfer FROM Reserves	S151 Review of Reserves	Forecast Balance 1 April 2022	2022/23	2023/24	2024/25	2025/26	2026/27	Expected Balance 1 April 2027
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
General Balances	(5.520)	0.000	0.000	0.000	(5.520)	(0.500)	0.000	0.000	0.000	0.000	(6.020)
Earmarked Reserves	(21.328)	(1.805)	1.201	0.000	(21.932)	2.312	3.644	(1.973)	(2.481)	1.962	(18.467)
Revenue Grants	(7.659)	(1.928)	5.432	0.000	(4.155)	0.881	0.327	0.243	0.201	0.000	(3.426)
Capital Reserves	(0.756)	(0.014)	0.080	0.000	(0.690)	0.000	0.000	0.000	0.000	0.000	(0.690)
Sub-TOTAL RESERVES	(35.263)	(3.747)	6.712	0.000	(32.297)	2.693	3.972	(1.729)	(2.280)	1.962	(28.603)
Revenue Grants relating to cashflow timing	(23.897)	(8.609)	22.867	0.000	(9.639)	8.715	0.000	0.000	0.000	0.000	0.000
TOTAL RESERVES	(59.159)	(12.356)	29.579	0.000	(41.936)	11.408	3.972	(1.729)	(2.280)	1.962	(28.603)

3.4 It should be noted that the uses of reserves for the 2022/23 budget and MTFs are still being finalised so figures may be updated in the final budget proposals.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The proposed allocations of reserves will retain flexibility in how the Council uses its reserves in the future and also puts in place mitigations for risks the Council may face in the future.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.
- Option 1: Do nothing. This would leave resources in earmarked funds that have been funded in alternative ways and reduce the Council's strategic flexibility with its reserves.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate financial implications associated with this report. The Reserves Policy and proposed changes to reserves will be considered by the Executive and uses of/contributions to reserves agreed by Council as part of the 2022/23 budget.

Comments checked by:

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Legal Implications

- 7.2 There are no legal implications associated with this report.

Comments checked by:

Christopher Mace, Solicitor, Tel 01295 221822, Email: chris.mace@cherwell-dc.gov.uk

Risk Implications

- 7.3 The move to retain general balances at their current level and more strategic reserves will help the Council to manage financial risks that materialise in the future. This will be managed within the Leadership Risk Register

Comments checked by:
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8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Document Information

Appendix number and title

- Appendix 1 – Reserves Policy
- Appendix 2 – Reserves Forecast

Background papers

None

Report Author and contact details

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