

# **Cherwell District Council**

## **Budget Planning Committee**

**23 January 2024**

### **Reserves Review**

#### **Report of the Assistant Director of Finance (Section 151)**

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 2024/25 and the Medium-Term Financial Strategy (MTFS) 2024/25 – 2028/29.

#### **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 2023/24 for inclusion in the Budget and Medium-Term Financial Strategy 2024/25 – 2028/29 report which will be taken to the Executive and Council in February 2024.

#### **3.0 Report Details**

- 3.1 Executive approved a revised Reserves Policy (attached at Appendix 1 for reference) at its meeting in July 2023 and throughout the year 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 conducting a risk assessment, it is proposed that the Council retain its current minimum level of general balances at £6.129m. This will be achieved by making a transfer between earmarked and general reserves in the event of an overspend at the end of 2023/24. The forecast overspend as at the end of November (period 8) is an overspend of £0.259m.
- 3.4 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 2023	Forecast Transfer FROM reserves	Forecast Transfer TO Reserves	S151 Review of Reserves	Forecast Balance 1 April 2024	2024/25	2025/26	2026/27	2027/28	2028/29	Expected Balance 1 April 2029
General Balances	(6.150)	0.000	0.000	0.000	(6.150)	0.000	0.000	0.000	0.000	0.000	(6.150)
Earmarked Reserves	(20.627)	2.148	(7.504)	(0.697)	(26.681)	1.043	(0.674)	(1.176)	(1.226)	(1.226)	(29.940)
Revenue Grants	(3.771)	0.805	(0.028)	0.697	(2.297)	0.898	0.007	0.007	0.007	0.007	(1.371)
<b>Total Revenue Reserves</b>	<b>(30.548)</b>	<b>2.953</b>	<b>(7.532)</b>	<b>0.000</b>	<b>(35.128)</b>	<b>1.941</b>	<b>(0.667)</b>	<b>(1.169)</b>	<b>(1.219)</b>	<b>(1.219)</b>	<b>(37.461)</b>
Capital Reserves	(8.389)	1.000	0.000	0.000	(7.389)	3.250	0.000	0.000	0.000	0.000	(4.139)
<b>TOTAL RESERVES</b>	<b>(38.937)</b>	<b>3.953</b>	<b>(7.532)</b>	<b>0.000</b>	<b>(42.516)</b>	<b>5.191</b>	<b>(0.667)</b>	<b>(1.169)</b>	<b>(1.219)</b>	<b>(1.219)</b>	<b>(41.600)</b>

- 3.5 It should be noted that the uses of reserves for the 2024/25 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 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 2024/25 budget.

Comments checked by:

Joanne Kaye, Head of Finance, 01295 221545, [joanne.kaye@cherwell-dc.gov.uk](mailto:joanne.kaye@cherwell-dc.gov.uk)

### Legal Implications

- 7.2 The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and precept, the Chief Finance Officer must report to it on the following matters:  
the robustness of the estimates made for the purposes of the calculations; and  
the adequacy of the proposed financial reserves.  
The authority must have due regard to the report when making decisions on the budget and precept.

Comments checked by:

Shahin Ismail, Legal Services Manager, 01295 221651, [Shahin.Ismail@Cherwell-DC.gov.uk](mailto:Shahin.Ismail@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 service operational risk, and the Leadership Risk Register, as and when deemed necessary.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader, 01295 221556  
[Celia.Prado-Teeling@Cherwell-DC.gov.uk](mailto:Celia.Prado-Teeling@Cherwell-DC.gov.uk)

### Equalities and Inclusion Implications

- 7.4 There are no Equalities and Inclusions implications arising directly as a result of this report.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader, 01295 221556  
[Celia.Prado-Teeling@Cherwell-DC.gov.uk](mailto:Celia.Prado-Teeling@Cherwell-DC.gov.uk)

## 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**

Alex Rycroft, Strategic Finance Business Partner, 01295 221545,  
[Alex.Rycroft@cherwell-dc.gov.uk](mailto:Alex.Rycroft@cherwell-dc.gov.uk)