

<b>This report is public</b>	
<b>Review of Reserves</b>	
<b>Committee</b>	Budget Planning Committee
<b>Date of Committee</b>	21 January 2025
<b>Portfolio Holder presenting the report</b>	Portfolio Holder for Finance & Property, Councillor McLean
<b>Date Portfolio Holder agreed report</b>	19 December 2024
<b>Report of</b>	Assistant Director of Finance

## Purpose of report

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place in preparation of the budget for 2025/26 and the Medium-Term Financial Strategy (MTFS) 2025/26 – 2029/30.

### 1. Recommendations

The Budget Planning Committee resolves:

- 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. Executive Summary

- 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
- 2.2 This report delivers the outcome of the review for 2024/25 for inclusion in the Budget and Medium-Term Financial Strategy 2025/26 – 2029/30 report which will be taken to the Executive and Council in February 2025.
- 2.3 The Chief Finance Officer's risk assessment of reserves has recommended a prudent level of General Fund Reserve be set at £7.852m, an increase from the previous level of £6.129m.
- 2.4 The council is forecasting to end the 2024/25 financial year with total reserves of £43.914m. A net contribution of £1.844m to revenue reserves, and a net use of

£0.720m of capital reserves is expected to be proposed in the 2025/26 budget. The forecast reserves position at the end of the Medium-Term Financial Strategy period 2025/26 – 2029/30 is £43.402m.

## Implications & Impact Assessments

Implications	Commentary			
<b>Finance</b>	<p>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 2025/26 budget.</p> <p>Joanne Kaye, Head of Finance 12 December 2024</p>			
<b>Legal</b>	<p>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.</p> <p>Shiraz Sheikh, Assistant Director of Law and Governance (Monitoring Officer), 10 January 2025</p>			
<b>Risk Management</b>	<p>The move to increase general balances and maintain strategic reserves will help the council to manage financial risks that could materialise in the future. This will be managed within service operational risk, and escalated to the Leadership Risk Register, as and when deemed necessary.</p> <p>Celia Prado-Teeling, Performance Team Leader, 10 January 2025</p>			
Impact Assessments	Positive	Neutral	Negative	Commentary
<b>Equality Impact</b>				N/A
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected				N/A

characteristics, including employees and service users?				
<b>Climate &amp; Environmental Impact</b>				N/A
<b>ICT &amp; Digital Impact</b>				N/A
<b>Data Impact</b>				N/A
<b>Procurement &amp; subsidy</b>				N/A
<b>Council Priorities</b>	All			
<b>Human Resources</b>	N/A			
<b>Property</b>	N/A			
<b>Consultation &amp; Engagement</b>	N/A			

## Supporting Information

### 3. Background

- 3.1 Executive approved a revised Reserves Policy (attached at Appendix 1 for reference) at its meeting in September 2024 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.

### 4. Details

- 4.1 The review of reserves 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.

- 4.2 After conducting a risk assessment (attached at Appendix 3), it is proposed that the council increase its current minimum level of general balances from £6.129m to £7.852m. The increase has been driven by indications in the latest local government finance settlement that the changes in funding forecast are more likely to become a reality. Therefore, it is prudent to increase general balances to reflect

this increased likelihood. This increase will be achieved by making a transfer between earmarked and general reserves as part of the S151 review of reserves. The forecast overspend as at the end of November (period 8) is an overspend of £0.248m. However, the council will continue to work to reduce the overspend to nil throughout the rest of the year. In the event of an overspend at year end other earmarked reserves will be used to ensure that the general fund balance remains above £7.852m

- 4.3 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

Row Labels	Balance 1 April 2024 £m	Forecast Transfers (to)/from £m	Forecast Balance 31 March 2025 £m	25/26 forecast transfers (to)/from £m	26/27 forecast transfers (to)/from £m	27/28 forecast transfers (to)/from £m	28/29 forecast transfers (to)/from £m	29/30 forecast transfers (to)/from £m	Forecast balance as at 31/3/2030 £m
General Balances	(6.153)	(1.700)	(7.853)	-	-	-	-	-	(7.853)
Earmarked Reserves	(28.325)	(0.509)	(28.834)	(2.367)	(0.399)	(0.449)	(0.449)	(0.449)	(32.947)
Revenue Grants	(2.552)	1.272	(1.280)	0.523	0.007	0.007	0.007	0.007	(0.730)
<b>Subtotal Revenue</b>	<b>(37.029)</b>	<b>(0.937)</b>	<b>(37.966)</b>	<b>(1.844)</b>	<b>(0.392)</b>	<b>(0.442)</b>	<b>(0.442)</b>	<b>(0.442)</b>	<b>(41.529)</b>
Capital Reserves	(6.293)	0.345	(5.948)	0.720	3.355	-	-	-	(1.873)
<b>Total</b>	<b>(43.322)</b>	<b>(0.592)</b>	<b>(43.914)</b>	<b>(1.124)</b>	<b>2.963</b>	<b>(0.442)</b>	<b>(0.442)</b>	<b>(0.442)</b>	<b>(43.402)</b>

- 4.4 It should be noted that the uses of reserves for the 2025/26 budget and MTFs are still being finalised, so figures may be updated in the final budget proposals.

## 5. Alternative Options and Reasons for Rejection

- 5.1 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.

## 6 Conclusion and Reasons for Recommendations

- 6.1 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.

### Decision Information

<b>Key Decision</b>	N/A
---------------------	-----

<b>Subject to Call in</b>	N/A
<b>If not, why not subject to call in</b>	N/A
<b>Ward(s) Affected</b>	N/A

## Document Information

<b>Appendices</b>	
<b>Appendix 1</b>	Reserves Policy (as updated Sept 2024)
<b>Appendix 2</b>	Reserves Forecast 2024/25 – 2029/30
<b>Appendix 3</b>	General Balances Risk Assessment
<b>Background Papers</b>	None
<b>Reference Papers</b>	None
<b>Report Author</b>	Alex Rycroft, Strategic Finance Business Partner
<b>Report Author contact details</b>	Alex.Rycroft@cherwell-dc.gov.uk 01295 221
<b>Corporate Director Approval (unless Corporate Director or Statutory Officer report)</b>	N/A Statutory Officer Report