

Cherwell District Council

Budget Planning Committee

29 September 2020

Draft Reserves Policy

Report of Director of Finance

This report is public

Purpose of report

To present a Draft Reserves Policy to Budget Planning Committee and for its comments to feed into the development of the final policy to be adopted by the Executive later in the financial year.

1.0 Recommendations

The meeting is recommended:

- 1.1 to provide feedback on the Draft Reserves Policy to be considered in its future development and associated review of reserves in line with the policy.

2.0 Introduction

- 2.1 Cherwell District Council (CDC) had reserves of £28.6m of reserves on 31 March 2020. These are held across over 60 different reserves, ranging from £263 to £5.1m. Some reserves have been held for a significant period of time with little specific purpose for what they will be used.
- 2.2 The intention of the Draft Reserves Policy is to introduce some rigor around why reserves are held by the Council and ensure they are used strategically to meet the Council's strategic aims and objectives. It is also to ensure there is transparency in reporting their proposed use throughout the year when there is a proposed change from that assumed as part of the budget agreed by Council.

3.0 Report Details

- 3.1 CDC does not currently have a defined policy on reserves and their use. The Draft Reserves Policy attached at Appendix 1 aims to make it clear why reserves are being held and what authorisations are necessary for their use or contributions to when not agreed as part of the budget.
- 3.2 The Draft Reserves Policy proposes that reserves are held in four main categories:

- General balances
- Earmarked reserves
- Revenue grant related reserves
- Capital reserves

- 3.3 Far tighter restrictions on the ability to use these reserves is proposed with the Executive being required to approve contributions to and from reserves where there is not a specific ringfence around how the money must be spent. In this case the S151 Officer is proposed to be able to authorise expenditure in line with the specific ringfence.
- 3.4 The Draft Reserve Policy acknowledges the S151 Officer's legal obligation to report on the adequacy of the level of reserves annually when setting the budget. The Draft Policy also goes on to propose that there be an annual review of reserves to ensure they are being held in line with the Policy. Quarterly reporting and monitoring of reserves will also take place to ensure full transparency of their use. This will assist the Council in complying with CIPFA's Financial Management Code.
- 3.5 It is therefore also proposed that a review of all of the reserves held by the Council is undertaken to ensure they are held in line with the Policy.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The introduction of a reserves policy will allow CDC to be more transparent and strategic in its use of reserves. It will ensure that CDC is aware of how and when reserves should be used in the future.

5.0 Consultation

This report is the beginning of consultation with Budget Planning Committee on the Reserves Policy that the Council should adopt.

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate resource implications in the development of a reserves policy for CDC. Once finalised the reserves policy will help to improve the financial controls of the Council.

Comments checked by:

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Legal Implications

- 7.2 Sections 31A and 42A of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the council tax requirement.

Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report on the adequacy of the proposed financial reserves.

Introducing a clear reserves policy will assist the Council in complying with these legal requirements.

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Risk Implications

- 7.3 Having a clear reserves policy in place will help the Council to mitigate against strategic risks that may occur. This will be managed as part of the operational risk for this service and escalated as and when necessary.

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8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

None

Links to Corporate Plan and Policy Framework

Continuous improvement and making the best use of our resources.

Document Information

Appendix number and title

- Appendix 1 Draft Reserves Policy
- Appendix 2 Current Reserves Position

Background papers

None

Report Author and contact details

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