

Cherwell District Council

Budget Planning Committee

19 January 2021

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 since the Committee was updated about the draft Reserves Policy in September 2020.

1.0 Recommendations

The meeting is recommended:

- 1.1 to note the proposed outcome of the reserves review
- 1.2 to provide the Executive with feedback on whether the Committee supports the draft reserve allocations

2.0 Introduction

- 2.1 Following the production of the draft Reserves Policy a review of Cherwell District Council's reserves to propose to bring them into the strategic pots of:
 - General Balances
 - Earmarked Reserves
 - Revenue Grant Related Reserves
 - Capital Reserves

This report delivers the outcome of the review and the proposed reserves that the Council will hold in the future.

3.0 Report Details

- 3.1 BPC considered the draft reserves policy (attached at Appendix 1 for reference) at its meeting in September and was supportive of the policy and its approach. Since then a review has taken place to consider the reserves of the Council and whether they could be held in a more strategic way in the future.

- 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. Where clear plans were in place these reserves are proposed to remain.
 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 conditions attached to them
 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 £5m. Furthermore, it is proposed that where there were unringfenced reserves without plans to spend the resources that these are combined into new strategic reserves including:
- A commercial risk reserve of £4.4m
 - A capital reserve of £3.0m funded from revenue resources to reduce borrowing costs in the future
 - A projects reserve of £1.5m to fund future projects the Council wishes to pursue. The governance arrangements for this need to be developed but it is anticipated that release of this reserve would require a suitable business case that demonstrated the proposal would deliver savings/avoid costs to the Council in the future.
 - A redundancy reserve of £1.0m to meet future redundancy or pension fund strain costs that may be incurred

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

Table 1: Overview of reserves

	Actual Balance 1 April 2020	Forecast Balance 1 April 2021	Forecast Use of (+) or Cont. to (-) Reserves 2021/22	Forecast Use of (+) or Cont. to (-) Reserves 2022/23	Forecast Use of (+) or Cont. to (-) Reserves 2023/24	Forecast Use of (+) or Cont. to (-) Reserves 2024/25	Forecast Use of (+) or Cont. to (-) Reserves 2025/26	Forecast Balance 1 April 2026
	£m	£m	£m	£m	£m	£m	£m	£m
General	-2.018	-5.000	0.000	0.000	0.000	0.000	0.000	-5.000
Earmarked	-21.843	-16.761	2.316	-1.064	3.516	-1.620	-1.620	-15.234
Grants	-4.703	-22.248	21.181	0.350	0.216	0.000	0.000	-0.500
Capital	0.000	-1.717	0.000	0.000	0.000	0.000	0.000	-1.717
TOTAL	-28.564	-45.726	23.497	-0.714	3.732	-1.620	-1.620	-22.451

- 3.4 It should be noted that the uses of reserves for the 2021/22 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 give the Council greater flexibility in how it 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: Leave the reserves as they were – this would not have been consistent with the draft reserves policy and would not have given the Council the additional strategic flexibility for using 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 2021/22 budget.

Comments checked by:

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Legal Implications

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

Comments checked by:

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Risk Implications

- 7.3 The move to introduce a larger general balance 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 as not an Executive report

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 – Draft Reserves Policy
- Appendix 2 – Proposed Reserves following Reserves Review

Background papers

None

Report Author and contact details

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