

Cherwell District Council

Budget Planning Committee

17 January 2023

Reserve Strategy and Medium Term Reserves Plan 2023/24

Report of the Assistant Director of Finance (Section 151 Officer)

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 2023/24 and the Medium-Term Financial Strategy (MTFS) 2023/24 – 2027/28.

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 2022/23 for inclusion in the Budget and Medium-Term Financial Strategy 2023/24 – 2027/28 report which will be taken to the Executive and Council in February 2023.

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 retain its current minimum level of general balances at £6m. This will be achieved by making a transfer between earmarked and general reserves in the event of an overspend at the end of 2022/23. The forecast overspend as at the end of November (period 8) is an overspend of £0.097m. Additional contributions to Strategic reserves are also included in the draft budget for 2023/24:
- Transformation implementation Reserve - increase of £2.386m to fund future transformation as necessary.
 - Capital Reserve - increase of £0.5m to fund capital expenditure.

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 2022 (Unaudited)	Forecast Transfer FROM reserves	Forecast Transfer TO Reserves	S151 Review of Reserves	Forecast Balance 1 April 2023	2023/24	2024/25	2025/26	2026/27	2027/28	Expected Balance 1 April 2028
General Balances	(5.950)	0.000	(0.500)	0.000	(6.450)	0.000	0.000	0.000	0.000	0.000	(6.450)
Earmarked Reserves	(23.692)	7.057	(5.550)	(1.264)	(23.449)	(2.356)	(0.191)	(0.684)	(1.161)	0.227	(27.613)
Revenue Grants	(16.214)	13.207	(0.049)	1.264	(1.793)	0.711	0.007	0.007	0.007	0.007	(1.054)
Capital Reserves	(8.049)	2.918	0.000	0.000	(5.131)	0.000	0.000	0.000	0.000	0.000	(5.131)
Sub-TOTAL RESERVES	(53.905)	23.181	(6.100)	0.000	(36.823)	(1.644)	(0.184)	(0.677)	(1.154)	0.234	(40.249)
Revenue Grants relating to cashflow timing	(10.587)	10.324	0.000	0.000	(0.263)	0.000	0.000	0.000	0.000	0.000	(0.263)
TOTAL RESERVES	(64.491)	33.505	(6.100)	0.000	(37.086)	(1.644)	(0.184)	(0.677)	(1.154)	0.234	(40.511)

- 3.4 It should be noted that the uses of reserves for the 2023/24 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 2023/24 budget.

Comments checked by:

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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:

Shiraz Sheikh, Assistant Director Law & Governance, Monitoring Officer, 01295 221651, Shiraz.Sheikh@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:

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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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