

AUDIT COMMITTEE	AGENDA ITEM No. 8
30 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Emma Riding, Financial Services Manager – Financial Planning & Budgetary Control	Tel. 07790944655

RESERVES STRATEGY & POLICY

R E C O M M E N D A T I O N S	
FROM : Cecilie Booth, Executive Director of Corporate Services and s.151 Officer	Deadline date : 30 January 2023
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Consider the Councils Reserves Strategy and Policy provided in Appendix A to this report 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee to provide an overview of the Councils Reserves Strategy and Policy. This is following an initial review of the draft policy in October 2022, where the Audit Committee reviewed and made suggested changes to be incorporated within the final document.

Following this meeting the Reserves Policy and Strategy will then be incorporated within the final budget for 2023/24 and Medium Term Financial strategy report which will then go before the council's Cabinet on 13 February and Full Council for final approval on 22 February.

2. PURPOSE AND REASON FOR REPORT

2.1 The report is for the Audit Committee to consider under its Terms of Reference (agreed at Full Council) at 2.2.2.14

- To review any issue referred to it by the Chief Executive or a Director, or any Council body.

2.2 The purpose of this report is to provide an overview to members of the Councils Reserves Strategy and Policy

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet	-
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4. BACKGROUND

4.1

The Local Government Finance Act requires the Council to consider the level of reserves when setting a budget requirement., with the Section 25 of the Local Government Act 2003 requiring the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. This is completed at the Council through the Robustness Statement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.

CIPFA issued [Local Authority Accounting Panel \(LAAP\) Bulletin No.99](#), Guidance Note on Local Authority Reserves and Balances in July 2014. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

In response to the above requirements, the reserves strategy and policy outlined in Appendix A sets-out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance for the Council's cash backed usable reserves.

The following table summarises the usable reserves which includes the general fund balance and earmarked reserves:

	Est Bal at 31 st March 23	Est bal at 31 March 24	Est bal 31 at March 25	Est bal 31 at March 26
	£000	£000	£000	£000
General Fund	8,000	9,000	10,000	11,200
Usable Reserves (Innovation and Departmental)	22,951	15,027	14,777	14,527
Budget and Inflation Risk Reserves	7,510	5,370	5,370	5,370
Local Tax Income Risk Reserve	7,316	6,316	6,316	6,316
Ring-Fenced Reserves	4,321	3,810	3,573	3,573
Total Earmarked and General Fund Balance	50,098	39,523	40,037	40,986

The Strategy has regard for the recommendation of The Chartered Institute of Public Finance and Accountancy (CIPFA), that the following factors should be taken into account when considering the level of reserves and balances:

1. Assumptions regarding inflation and interest rates
2. Estimates of the level and timing of capital receipts
3. The capacity to manage in-year demand led pressures
4. Ability to activate contingency plans if planned savings cannot be delivered
5. Risks inherent in any new partnerships
6. Financial standing of the authority (level of borrowing, debt outstanding etc.)
7. The authority's record of budget management and ability to manage in year budget pressures
8. Virement and year-end procedures in relation to under and overspends
9. The general financial climate
10. The adequacy of insurance arrangements

With the strategy including planned steps on how the Council intends to ensure its reserves balances are resilient and sufficient enough to mitigate the Councils financial position against emerging risks.

As noted in the first paragraph the adequacy of reserves levels are reported within the robustness statement as part of budget setting report, at the same time the Reserves Strategy and Policy will undergo an annual review.

5. CONSULTATION

5.1 None required at this stage.

6. CORPORATE PRIORITIES

6.1 The medium term financial strategy and annual budget create the financial capacity to deliver the council's priorities. An essential part of the financial planning process is a robust policy on the level and nature of reserves (an account set aside to meet any unexpected costs that may arise in the future). Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (the Executive Director of Corporate Services and s.151 Officer) to advise the council about the level and nature of reserves to be held.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 That the Audit Committee is informed of the Council's approach to budget setting.

8. REASON FOR THE RECOMMENDATION

8.1 None required - item for information.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 None required - item for information.

10. IMPLICATIONS

10.1 Financial Implications

No Financial Implications as a result of this report- item for information.

10.2 Legal implications

No legal implications as a result of this report- item for information.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 None

12. APPENDICES

12.1 Appendix A: Reserves- Strategy and Policy

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