

CHESHIRE EAST COUNCIL

CABINET

Date of meeting: 8 September 2009
Report of: Borough Treasurer and Head of Assets
Title: Reserves Strategy 2009-2013
Portfolio Holder Councillor Frank Keegan

1.0 Purpose of report

- 1.1 To review the council's reserves position in relation to current budgetary issues and medium term planning
- 1.2 To make recommendations that centre around general reserve balances, and how they compare to relevant risks, and treatment of earmarked reserves.

2.0 Decision Required

- 2.1 To agree the reserves strategy for 2009-2013.

3.0 Financial Implications for Transition Costs

- 3.1 None.

4.0 Financial Implications 2009-10 and beyond

- 4.1 The strategy for council reserves will impact on all financial years.

5.0 Legal Implications

- 5.1 The decision to ensure adequate levels of reserves are maintained by the authority is consistent with the obligation to make proper arrangements for the administration of the Council's financial affairs imposed by section 151 of the Local Government Act 1972.

6.0 Risk Assessment

- 6.1 The level of reserves is guided by a risk assessment contained within the Strategy.

7.0 Background

- 7.1 In February 2009 Council approved a strategy for reserves as part of the budget setting process. However, this only established treatment of estimated balances and reaction to the adequacy of reserves to support the budget.

- 7.2 In June 2009 members received the draft financial statements for each of the predecessor authorities, providing an updated position in relation to both general and earmarked reserves.
- 7.3 It is now necessary to recognise options for treatment of these balances (with the benefit of 6 months of operation of Cheshire East Council) and establish protocols for the further use of reserves.

8.0 Approach

- 8.1 The attached strategy sets out reasons for holding balances and protocols for the management of these balances, as well as financial detail to support this approach.
- 8.2 Once established the strategy will support the budget setting process for 2010/2011 and provide officers and members with clarity over the position and further treatment of reserves.

9.0 Recommended

9.1 That Cabinet:-

- 9.1.1 Note the estimated opening balance for Cheshire East Reserves
- 9.1.2 Note risks associated with the need to hold general reserves
- 9.1.3 Note the impact of transitional costs from re-organisation
- 9.1.4 Note that earmarked balances of £4.73m have been identified for transfer to General Reserves.
- 9.1.5 Create a new earmarked Reserve of £5m to support further voluntary redundancy costs in 2009/2010
- 9.1.6 Adopt the reserves strategy and agree the protocols included within it related to further treatment of earmarked balances
- 9.1.7 Agree to the comprehensive review of remaining earmarked balances taking place as part of the mid-year financial review

10.0 Reason for Recommendations

- 10.1 The Council must establish a Reserves Strategy to provide a framework for the treatment of balances and to support sound financial management and planning.

For further information:

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Background Documents:

None