

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	5 <sup>th</sup> January 2022
<b>Report Title:</b>	Draft Reserves Strategy 2022/23
<b>Report of:</b>	Alex Thompson, Director of Finance and Customer Services (Section 151 Officer)
<b>Report Reference No:</b>	FSC/20/21-22
<b>Ward(s) Affected:</b>	Not Applicable

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### **1. Executive Summary**

- 1.1. The Sub-Committee is being asked to review the Council's Reserves Strategy as part of the consultation process for the Medium Term Financial Strategy (MTFS). The Reserves Strategy forms a key part of the Council's MTFS alongside the Capital, Treasury Management and Investment Strategies. Each of these strategies are reviewed each year.
- 1.2. The MTFS will be recommended to Council for approval on the 24<sup>th</sup> February 2022 by the Corporate Policy Committee.
- 1.3. The report provides information about the requirements to maintain financial reserves and to provide statements on the types of reserves and current and predicted balances. The strategy identifies the potential use of reserves in the medium term.

### **2. Recommendations**

That Finance Sub Committee:

- 2.1. Note and comment on the draft Reserves Strategy for 2022/23 set out in Appendix 1.

### **3. Reasons for Recommendations**

- 3.1. A function of the Finance Sub-Committee is to make recommendations to the Corporate Policy Committee regarding the development of the

Medium Term Financial Strategy and the setting and monitoring of the Capital and Revenue Budgets in accordance with the Corporate Plan and the Policy Framework.

#### **4. Other Options Considered**

4.1. None.

#### **5. Background**

5.1. The Council Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.

5.2. The Strategy identifies two types of reserves:

- **General Reserves**

Balances in this category are not identified for specific purposes but will be used to cushion against the impact of emerging events or genuine emergencies.

- **Earmarked Reserves**

Balances in this category have been set aside for a specific purpose and will either be spent on that purpose or otherwise returned to General Reserves.

5.3. Supporting the Council's budget with adequate reserves is a key element to creating financial resilience and a flexible approach to transferring money from general and earmarked reserves provides protection for council taxpayers against year on year fluctuations in expenditure.

5.4. The strategy is that variations between outturn and the core budget will, in the first instance, be managed through the MTFS Earmarked Reserve. Variations in the Capital Financing Budget will be managed through the Financing Earmarked Reserve and variations in the Collection Fund will be managed through the Collection Fund Reserve. The COVID-19 Reserve is used to receive and allocate grant funding associated with the Council's activities related to the Pandemic. If any of these activities are unmanageable through the use of the named reserves, then the impact would have to be managed through the use of General Reserves.

5.5. Cheshire East Council's general reserve is low compared to other similar authorities at only 3.6% of the net revenue budget. The 2021-25 MTFS included a proposal to increase general reserves from £10.3m to £11.5m over the two financial years 2021-23. Due to an improved outturn position

in 2020/21 the opportunity was taken to increase general reserves to £11.5m as at 31<sup>st</sup> March 2021.

5.6. The 2022-25 Reserves Strategy sets out to maintain the general reserve at the risk assessed level of £11.5m.

5.7. Earmarked reserves are set out in Table 6 of the Strategy.

## **6. Consultation and Engagement**

6.1. The Reserves Strategy forms part of the consultation process of the Medium Term Financial Strategy which ran from 24 November 2021 to 4 January 2022. During this time, residents, members and stakeholders were able to provide their views in a number of ways.

## **7. Implications**

### **7.1. Legal**

7.1.1. Under Section 25(1) of the Local Government Act 2003, the Section 151 Officer is required to report on the robustness of the estimates in the budget and the adequacy of the proposed reserves.

### **7.2. Finance**

7.2.1. Contained within the report.

### **7.3. Policy**

7.3.1. The MTFs report outlines policy and budget proposals which will impact on service delivery arrangements.

### **7.4. Equality**

7.4.1. None.

### **7.5. Human Resources**

7.5.1. None.

### **7.6. Risk Management**

7.6.1. The Council has a track record of balancing the revenue budget, spending in-line with the forecasts and maintaining adequate reserves to protect against risk and provide necessary investment, although in recent years this has proven to be a significant challenge requiring in-year mitigating activity.

7.6.2. Management of risk is embedded within the organisation to ensure the Council can seize opportunities, introduce new, innovative models of service delivery, focus on improving outcomes for residents and review its range of services whilst identifying and controlling any resulting risks. The approach to risk management will continue to be assessed as the Council's plans and financial strategy are implemented.

**7.7. Rural Communities**

7.7.1. There are no direct implications for rural communities.

**7.8. Children & Young People/Cared for Children**

7.8.1. There are no direct implications for children and young people.

**7.9. Public Health**

7.9.1. There are no direct implications on public health.

**7.10. Climate Change**

7.10.1. There are no direct implications on climate change.

<b>Access to Information</b>	
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Appendices:	Appendix 1: Draft Reserves Strategy 2022/23
Background Papers:	<a href="#">Medium Term Financial Strategy 2021-25</a> <a href="#">2021/22 In-Year Review of Finance</a>