

CABINET

15 August 2023

RESERVES STRATEGY AND POLICY – MANAGEMENT OF RESERVE FUNDS

Report of the Portfolio Holder for Resources

Strategic Aim:	A modern and effective Council	
Key Decision: No	Forward Plan Reference: FP/140723	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Portfolio Holder for Resources	
Contact Officer(s):	Kirsty Nutton, Director for Resources (s.151 Officer)	01572 758159 knutton@rutland.gov.uk
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Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That Cabinet:

1. Recommends to Council the approval of the Reserves Strategy & Policy which sets the future direction of travel and planned use of reserves.

1 PURPOSE OF THE REPORT

- 1.1 This report follows on from the 2022/23 Revenue and Capital Outturn report approved at Cabinet and considered at Scrutiny on 11 and 13 July 2023 respectively.
- 1.2 Cabinet previously approved the presentation and categorisation of balances, approved the commitments made for Departmental Reserves, and the balance shown on the Innovation to fund to be drawn down to deliver savings linked to transformational activities in accordance with the usual governance processes.
- 1.3 The Reserves Strategy and Policy provides the context of use of the reserve balances to support the delivery of a sustainable financial position for the Council. Balances have been identified in order to mitigate risk and provide investment opportunities for future savings proposals and / or enhanced service.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The primary purpose for holding reserves is to manage financial risk and promote financial sustainability whilst recognising that there is a need to control the amount of scarce resources held in reserves to ensure the Council is using taxpayers' money to deliver services to residents and communities.
- 2.2 The Reserves Strategy and Policy enables the Council to confirm its financial strategy with the objective of ensuring the Council is using all its' resources effectively, providing increased transparency and accountability around reserves and ensuring the framework is in place to align decision-making around the use of reserves with the Council's Corporate Strategy.
- 2.3 Legislation requires that the Chief Finance Officer (CFO) makes an annual statement on the adequacy of general reserves and provisions. In order to complete this statement, the CFO undertakes a risk assessment of the short-term financial risks that could impact on the authority in year to deliver core services and drive forward the ambitions set out in the Council Strategy. The Council's CFO, the Strategic Director for Resources, has reviewed the current the risk assessment and updated it for 2023/24 as part of the development of this Strategy. The risk assessment confirms that the minimum level of general reserves it is prudent to retain is £3.0m alongside a specific risk reserve of £5.5m. A summary of the risk assessment is provided under section 2.7, 2.8, and Appendix A of the Strategy.
- 2.4 For future years, the Reserves Strategy and Policy will form part of the set of Medium-Term Financial Strategy (MTFS) documents to be approved by Council each February. Setting a clear MTFS clarifies expected income and expenditure. Reserves are a useful option for balancing the budget in the short-term as long as they form part of a wider plan to delivery ongoing revenue savings through transformation of service delivery. Reserves should not be used to pay for day-to-day expenditure, and their replenishment is equally as important as their use in order for the Council to remain financial resilience. This Strategy and the use of reserves forms a cornerstone for a financially sustainable future.

3 CONSULTATION

- 3.1 Formal consultation is not required for any decisions being sought in this report. Internal consultation has been undertaken with officers to agree commentary and final position on all directorates, along with the Portfolio Holder.

4 ALTERNATIVE OPTIONS

- 4.1 None required.

5 FINANCIAL IMPLICATIONS

- 5.1 No direct Financial Implications as a result of this report. This report sets out the strategy for the use of reserves to mitigate financial risks and enable investment opportunities to be considered in accordance with the usual financial governance rules in order to achieve financial sustainability.

6 LEGAL AND GOVERNANCE CONSIDERATIONS (MANDATORY)

6.1 No legal implications as a result of this report.

7 DATA PROTECTION IMPLICATIONS

7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment (EqIA) has not been completed as this report does not impact on Council policies and procedures.

9 COMMUNITY SAFETY IMPLICATIONS

9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

11.1 The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. Due to the prevailing economic uncertainties facing the Council's finances, the S151 Officer is recommending a repurposing of the balance of the General Fund balance to increase the transparency and the strategic use of this fund to achieve financial sustainability over the MTFs period.

11.2 Each Council must make their own decisions about the level of reserves they hold, taking into account all of the issues outlined in the Strategy. An initial assessment with regards to these factors is included as part of the introduction of this Strategy.

11.3 This strategy is based on the establishment of six key reserves / funds which will provide a balance between funds required for investment to bring financial sustainability to the Council alongside funds for risk mitigation activity.

11.4 This Strategy moves the Council from managing its reserves from a binary approach of General Fund and Earmarked Reserves to key funds based on the strategic financial approach over the medium term.

11.5 This report is being considered part way through the 2023/24 financial year, with Council approval planned for September 2023. In future years, this strategy will form part of the MTFs and therefore approval at Full Council in the February with regular review as part of the in-year monitoring process.

12 BACKGROUND PAPERS

12.1 The following are relevant papers:

- CIPFA Bulletin 13 Local Authority Reserves and Balances, 28 March 2023
- 2022/23 Revenue And Capital Outturn, Cabinet 11 July 2023, Strategic Overview & Scrutiny 13 July 2023
- Final Revenue And Capital Budget 23/24, Budget Council, 7 February 2023
- Financial Sustainability Strategy, **Council 7 November 2022**

13 APPENDICES

13.1 Appendix A - Reserves Strategy & Policy

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.